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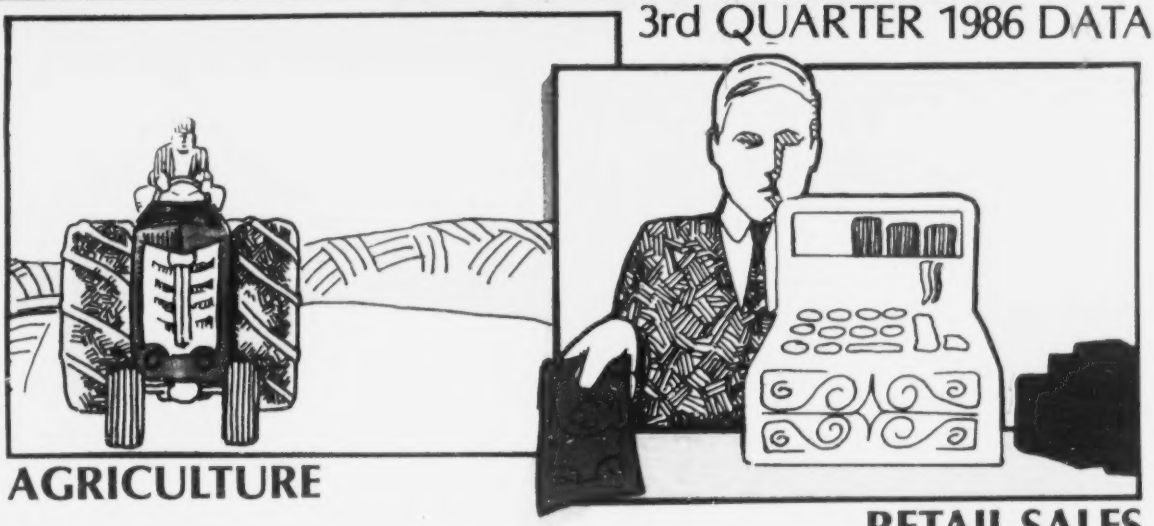
VIRGINIA ECONOMIC INDICATORS

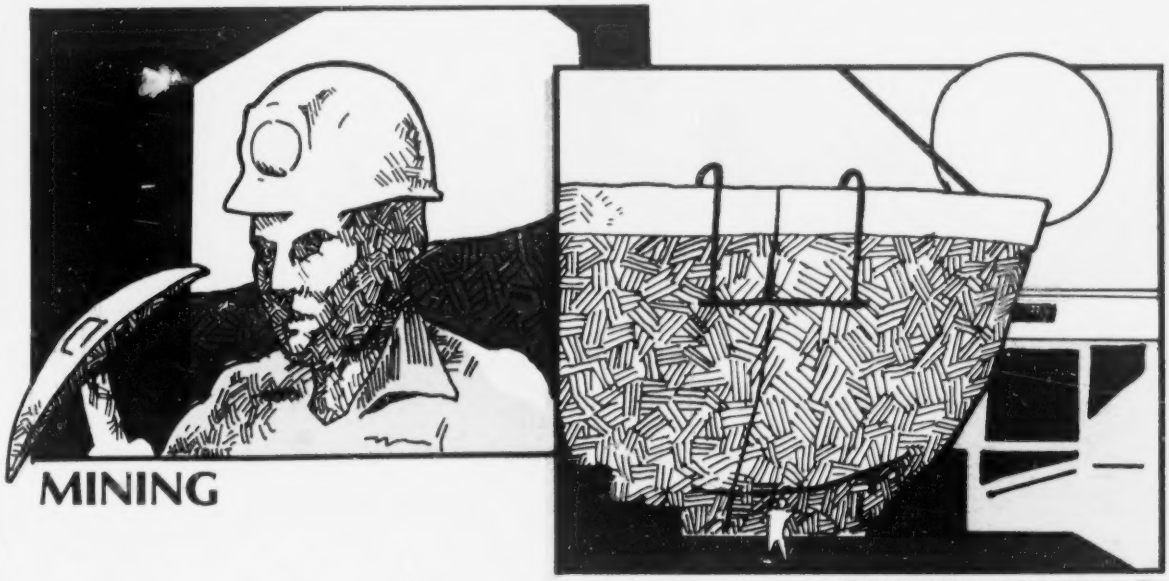
VOL. XVIII NO. 3

3rd QUARTER 1986 DATA



AGRICULTURE

RETAIL SALES



MINING

SHIPBUILDING

Virginia Employment Commission

FOREWORD

This publication is designed to depict the movement of Virginia's key economic indicators in graphic and tabular form with accompanying narrative analysis.

We welcome any comments, suggestions, or questions concerning Virginia Economic Indicators. Please contact Jeffrey A. Windom, Director, Economic Information Services Division, P. O. Box 1358, Richmond, Virginia 23211, telephone (804) 786-7496, for additional information or explanation of the contents of this document.

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ECONOMIC OUTLOOK - U. S.

1987, 1988, and 1989 U. S. Forecast Highlights

° CY 1986 ends in a moderate growth mode (+2.5 percent Gross National Product [GNP]).

- Export sales start to pick up after a disastrous July trade deficit.
- Cut-rate financing causes auto sales to spurt temporarily in August and September.
- Factory orders and employment - generally flat.
- The housing boom of CY 1985-86 starts to weaken.
- Year-end retail sales brightened by anticipatory spending before tax reform and the furnishing of many recently completed housing units.

° Forecast GNP inches up to 2.6 percent in CY 1987.

- Consumers cautious, increasingly burdened with debt, but still spending modestly.
- With a declining trade deficit, manufacturing finally begins to revive.
- Neither business spending because of the tax reform nor government spending because of budget balancing adds much to economic growth.

° GNP growth of 2.7 percent makes CY 1988 the strongest of the forecast period.

- With two years of declining trade deficits, U. S. factories are now adding some jobs.
- Business will be shaking off the tax reform jitters and consumers will have larger after-tax incomes.

° More of the same for CY 1989.

° Fiscal policy (tax reform and deficit reduction) negative for much of the forecast period, but monetary policy highly accommodative (low interest rates).

° Oil prices will remain relatively low and the dollar continues to decline.

° A three-year period of stable, but slow growth prevails.

° The current recovery, though losing some steam, may go on to rival the longest uptrends in this century.

ECONOMIC OUTLOOK - VIRGINIA

1987, 1988, and 1989 Virginia Forecast Highlights

° With current record employment levels, Virginia is forecast to be entering a stable period of high employment for the next three years.

° Growth will be just slightly lower than in CY 1986 because of an aging labor force, less pent-up demand for construction, the impact of federal budget balancing, and gaps in the scheduling of federal defense spending.

° Tax reform overall should have only a slightly negative impact on the State's economy.

° Trade and services should continue to reach new heights in employment, but their rate of expansion may be slightly less rapid than the torrid pace of the past two years.

° The State's manufacturers should increasingly reap the benefits from the weakened dollar, but a few more marginally competitive individual facilities likely will be closed.

° The jobless rate should gradually inch downward from the current 5.3 percent, averaging just over 5.0 percent by CY 1989. Individual months in late summer and fall of each year may drop as low as 4.5 percent.

° The four largest metropolitan areas--Northern Virginia, Norfolk-Newport News, Richmond-Petersburg, and Roanoke--should continue to see jobless rates well below the State average, and some industries and occupations in these urban areas may experience labor shortage situations.

° Virginia should experience stability coupled with modest growth through the end of the decade.

William Mezger

HIGHLIGHTS
VIRGINIA ECONOMIC INDICATORS
Third Quarter 1986

- In Third Quarter 1986, six series reached all-time highs on a seasonally adjusted basis. September saw the most record-breakers with four series at all-time highs.
  - Nonagricultural wage and salary employment in Virginia soared to 2,539,200 in September with the largest number of workers ever on employers' payrolls.
  - Average hourly earnings set records each month of the quarter to reach $8.98 for September.
  - Average weekly earnings also broke new ground each month going on to establish a September all-time record of $362.41 per week.
  - New business incorporations were at a peak level of 1,620 in July.
  - Financing incentive programs by automakers, such as cut-rate 2.9 percent interest, cleaned up the remaining 1986 models and pushed auto sales to a record 48,869 in September.
  - A hot, dry summer boosted the demand for air conditioning and increased electric power sales to an impressive record of 3,789.1 million kilowatt hours in July.
- Factory employment seasonally adjusted at a very strong 430,200 in July was just shy of the all-time record of 430,300 set back in February. The lack of crops for processing because of the summer-long drought provided just enough dampening effect on production to keep manufacturing levels from establishing new records this quarter.
- The total unemployment rate fell to a seasonally adjusted level of 4.7 percent in July before news of the State's record-setting employment pace enticed out-of-staters and other people not normally in the labor force to look for work, thereby inching up joblessness to 5.1 percent in September.
- The State's insured unemployment rate averaged a low 1.1 percent for the quarter.
- No negative movement whatsoever was noted in the four production worker series--manhours worked, average hourly earnings, average weekly earnings, and the length of the workweek--reflecting the present strong level of economic activity in Virginia.
- The five business-related indicators which had been the strongest performers in the second quarter as a group were not able to hold the torrid pace, but most series were still at impressive levels by past standards.
- Taxable retail sales were close to a record in August at $3,369.1 million, but then were off in September as record new cars sales diverted money from general sales tax revenues into the titling tax fund.
- According to the U. S. Bureau of Labor Statistics, productivity increased at a 0.1 percent annual rate during Third Quarter 1986 in the U. S. business sector, as output rose 2.5 percent and hours of all persons engaged in the sector increased 2.4 percent (seasonally adjusted annual rates). Although productivity gains in both the second and third quarters were small, the third-quarter results reflect stronger underlying gains in both output and hours. During the Second Quarter 1986, output rose only 0.3 percent and hours of all persons declined 0.2 percent.
- After declining by an average of 0.2 percent from the first quarter to the second quarter because of falling energy prices, the CPI for All Urban Consumers averaged 328.9 (1967 = 100) for Third Quarter 1986, up modestly by 0.7 percent from the second quarter. This was close to the 0.8 percent average gain recorded in Third Quarter 1985. Over the year, prices in Third Quarter 1986 average 1.6 percent higher than in Third Quarter 1985.
- Virginia's coal production at 32,509,000 short tons for the first nine months of 1986 was 7.7 percent above coal production during the first nine months of 1985. While coal production continued to increase, mine employment decreased 2.1 percent in the first nine months of 1986 as compared to the similar 1985 period.

State's Economic Activity at Overall High Level in Third Quarter

Overall, the Virginia economy turned in quite a creditable performance in the third quarter after losing a bit of ground in the second quarter. A very strong employment sector seemed to be pulling other segments of the economy along with it. Six series broke all-time records in the third quarter--total nonfarm employment reached 2,539,200 in September; average hourly earnings and average weekly earnings each set records throughout the quarter winding up at $8.98 an hour and $362.41 per week, respectively; new business incorporations climbed to 1,620 in July; cut-rate financing pushed new auto registrations to 48,869 in September; and a hot summer boosted power sales to 3,789.1 million kilowatt hours in July. Most of the other series, while not breaking records and occasionally having an off month, were actually at quite high levels by past standards. The generally strong performance of the series was a testimony to the high level of economic activity Virginia was enjoying.

July was just barely the strongest month of the quarter with 11 series up, three down, and one unchanged. August was the weakest month with seven series up, six down, and two unchanged. Once again, oversensitivity of the seasonal factors may have been responsible for the mid-month's poorer performance. September rebounded with ten series positive and five series negative.

The six-month moving average of the number of rising indicators (page 8) serves to illustrate the third quarter's strength. The moving average enhances analysis because it smooths out much of the irregularity present in many of the individual series.

Six Series Break Records During Quarter

After being off from May to June because of the timing of vacation furloughs this year, nonagricultural wage and salary employment forged ahead each month of the third quarter to finish the quarter at an all-time high of 2,539,200, surpassing the previous seasonally adjusted high of 2,532,100 set back in January. Very strong employment gains in trade and services coupled with record-breaking construction levels were the driving forces behind the third quarter nonfarm gains. Factory employment was very strong in July at 430,200. This was just short of the 430,300 seasonally adjusted all-time record set back in February. Factory employment then showed slight declines in both August and September, finishing the quarter at 426,400. A lack of crops to process because of the summerlong drought seemed to be the key factor keeping seasonally adjusted factory employment levels from setting any new records in the third quarter.

The four indicators that measure unemployment's impact on the State's economy continued to give somewhat mixed signals in the third quarter. The number of new claims for unemployment insurance was the strongest of these, dropping in two of the three months. The total seasonally adjusted unemployment rate fell from 5.1 percent in June to 4.7 percent in July, inched up to 4.8 percent in August, and then finished the quarter where it started, back at 5.1 percent in September. Unemployment increased toward the end of the quarter in spite of record-breaking employment levels because the good job news was apparently enticing out-of-staters and others not normally in the labor force to seek work here. The insured unemployment rate was unchanged in July at a low 1.1 percent, inched up because of rounding in August to 1.2 percent, then settled back to 1.1 percent in September. Unemployment insurance final payments were slightly higher in July, fell to a relatively low 1,846 seasonally adjusted in August, then climbed 26.3 percent to 2,332 in September. September's figure was reflecting a group of workers from a sizeable permanent electronics layoff back in March exhausting benefits and passing out of claims status.

The four production worker series were very strong, reflecting the general high level of employment. All four series were positive in both July and September. Manhours worked and average hourly earnings increased each month of the quarter. In fact, there was no negative movement in this group in the third quarter; only average weekly hours and average weekly earnings (with rounding there was no percentage gain) were both unchanged in August. Average hourly earnings and averaged weekly earnings (in total amounts) regularly broke new ground in the third quarter.

The five business-related indicators which had been the strongest performers in the second quarter were as a group a little less positive in the third quarter. Some third quarter losses were the result of not being able to hold really impressive levels set recently, although all series were still relatively high. New business incorporations set a record of 1,620 in July, fell to 1,307 in August, and then at 1,539 in September recovered part of the lost ground. The volatile valuations of building permits, responding to plummeting mortgage rates, reached the June all-time high of $309.0 million, but then could not hold this torrid pace and fell to $140.9 million in July. August and September were better at $157.0 million and $167.4 million, respectively, but still nothing like June. New vehicle registrations were up in July, down slightly in August, then soared to an all-time record of 48,869 in September. September's booming auto sales were the result of 2.9 percent and other financing incentive programs instituted by all the major auto makers to clear out an accumulation of leftover 1986 models. A record hot, humid July kept air conditioners humming and pushed electric power sales to a high of 3,789.1 million kilowatt hours. As the weather moderated in August and September, so did power sales. Taxable retail sales seesawed in the third quarter. They were lower in July, probably because the heat kept people from going shopping; close to a record in August at $3,369.1 million; then down in September. Taxable retail sales were off in September since money was being diverted by record new car purchases.

William Mezger

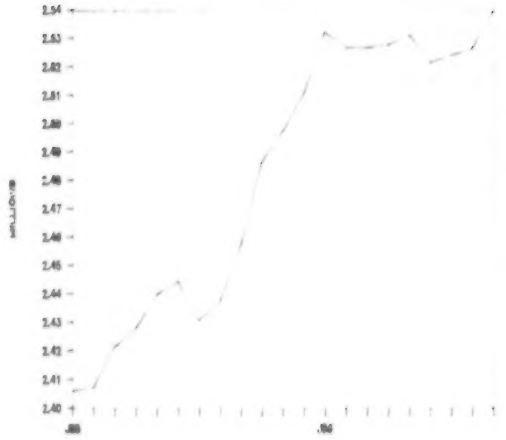
EMPLOYMENT AND UNEMPLOYMENT INDICATORS
January 1985 to September 1986

	Nonagricultural Wage & Salary Emp.* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	2,362.8	2,405.7	422.6	427.4	6.1	5.4
February	2,361.8	2,407.4	422.3	426.2	6.2	5.5
March	2,392.6	2,420.9	422.9	426.1	5.9	5.5
April	2,418.2	2,428.7	421.9	423.8	5.5	5.6
May	2,449.7	2,439.6	421.1	422.7	5.5	5.7
June	2,481.2	2,444.1	423.1	421.3	5.7	5.8
July	2,443.1	2,432.0	417.9	418.7	6.0	6.0
August	2,446.9	2,437.0	423.6	421.8	5.4	5.8
September	2,479.3	2,458.0	426.3	421.6	5.2	5.9
October	2,498.7	2,485.1	426.8	423.1	5.2	5.6
November	2,507.3	2,497.6	425.6	423.1	5.3	5.4
December	2,522.9	2,510.4	425.9	425.1	5.3	5.2
1986						
January	2,486.5	2,532.1	425.0	429.7	6.2	5.5
February	2,478.8	2,526.8	426.4	430.3	6.0	5.3
March	2,496.4	2,526.7	425.1	428.1	5.6	5.3
April	2,517.8	2,527.9	425.1	426.8	5.3	5.4
May	2,541.4	2,531.3	425.8	427.5	4.9	5.1
June	2,559.3	2,521.5	427.5	425.4	5.0	5.1
July	2,534.2	2,524.1	429.3	430.2	4.7	4.7
August	2,536.5	2,526.4	431.5	429.8	4.4	4.8
September	2,562.1	2,539.2	431.1	426.4	4.5	5.1

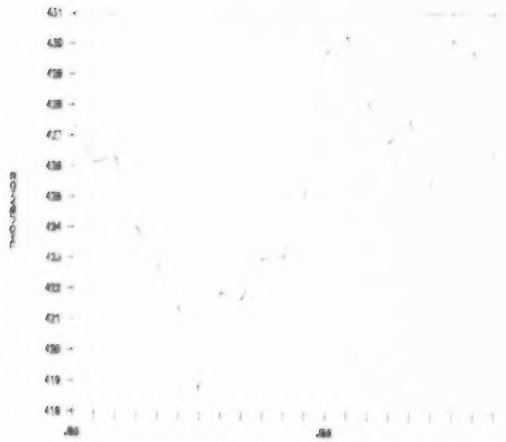
	Average Weekly Initial Claims (Number)		Avg. Wkly. Insured Unemployment Rate (Percent)		U. I. Final Payments (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	12,108	7,281	2.2	1.5	2,613	2,751
February	8,996	8,523	1.8	1.3	2,052	2,137
March	6,752	7,203	1.7	1.3	2,374	1,921
April	6,767	7,845	1.2	1.2	3,117	2,244
May	5,475	7,555	1.1	1.3	2,680	2,289
June	5,869	7,322	1.0	1.2	2,019	1,947
July	8,538	8,875	1.2	1.4	2,571	2,492
August	5,249	7,526	1.0	1.3	1,845	1,963
September	4,344	6,777	0.9	1.2	1,630	2,142
October	5,002	5,828	0.9	1.2	1,862	2,364
November	6,100	6,087	1.0	1.1	1,557	1,944
December	11,965	6,644	1.1	1.0	1,836	2,004
1986						
January	8,597	5,179	1.6	1.1	2,439	2,549
February	6,258	5,926	1.4	1.0	1,888	1,961
March	5,133	5,466	1.3	1.0	2,276	1,840
April	6,049	7,034	1.1	1.1	3,089	2,211
May	4,273	5,943	0.9	1.1	2,292	1,947
June	5,266	6,616	0.9	1.1	2,186	2,122
July	6,117	6,319	1.0	1.1	2,244	2,176
August	4,323	6,211	0.9	1.2	1,739	1,846
September	3,974	6,258	0.8	1.1	1,763	2,332

*These series have been adjusted to First Quarter 1985 benchmarks.

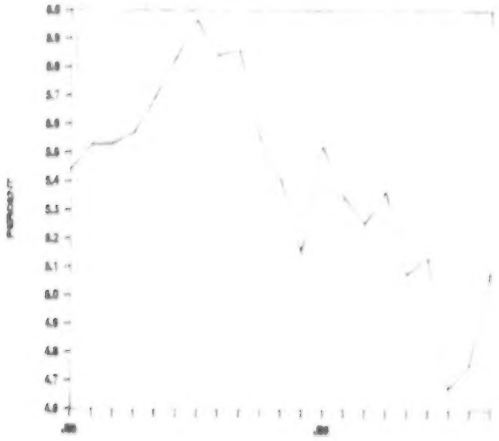
MONAG W & S EMPLOYMENT



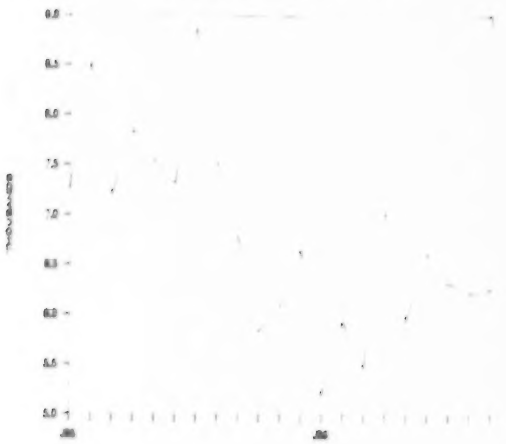
MANUFACTURING EMPLOYMENT



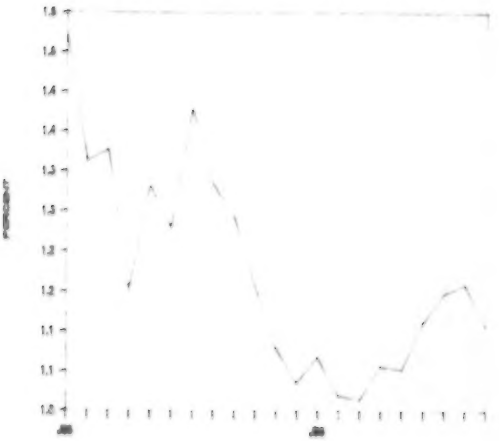
TOTAL UNEMPLOYMENT RATE



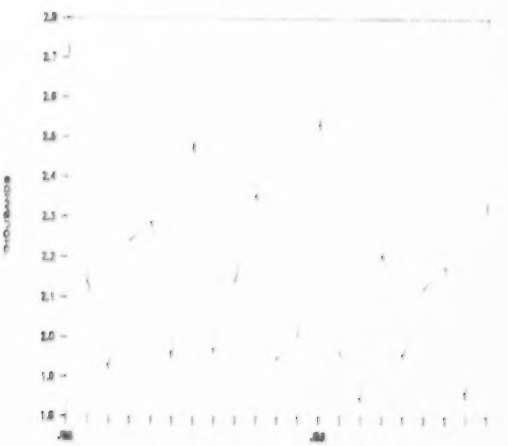
AVG. WEEKLY INITIAL CLAIMS*



INSURED UNEMPLOYMENT RATE



J... FINAL PAYMENTS



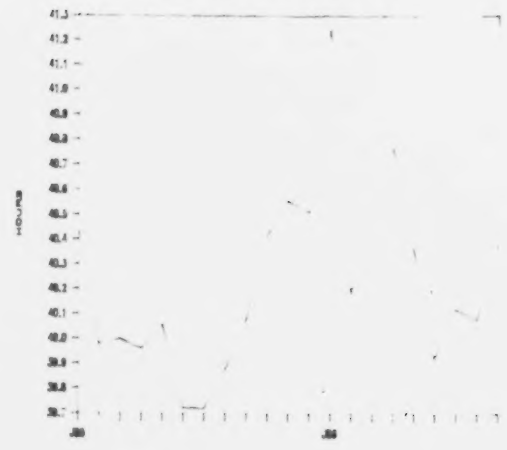
MANUFACTURING PRODUCTION WORKER INDICATORS
January 1985 to September 1986

	Average Weekly Hours* (Hours)		Average Manhours* (Thousands)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	39.7	40.4	12,613.4	12,939.7
February	39.3	40.0	12,432.1	12,757.6
March	39.6	40.0	12,551.1	12,774.8
April	39.6	40.0	12,508.8	12,697.9
May	40.1	40.1	12,635.0	12,693.0
June	40.2	39.7	12,763.6	12,566.0
July	39.6	39.7	12,408.0	12,480.6
August	40.0	39.9	12,716.8	12,650.7
September	40.4	40.1	12,969.5	12,716.1
October	40.5	40.4	12,994.1	12,836.0
November	41.0	40.5	13,112.2	12,858.5
December	41.2	40.5	13,152.4	12,917.0
1986				
January	40.5	41.2	12,903.9	13,248.4
February	39.5	40.2	12,658.7	12,996.6
March	40.1	40.5	12,830.7	13,065.9
April	40.4	40.8	12,932.0	13,115.6
May	40.4	40.4	12,948.2	13,000.2
June	40.4	39.9	12,992.6	12,786.0
July	40.0	40.1	12,836.0	12,900.5
August	40.2	40.1	13,012.7	12,948.0
September	40.7	40.4	13,251.9	12,992.1

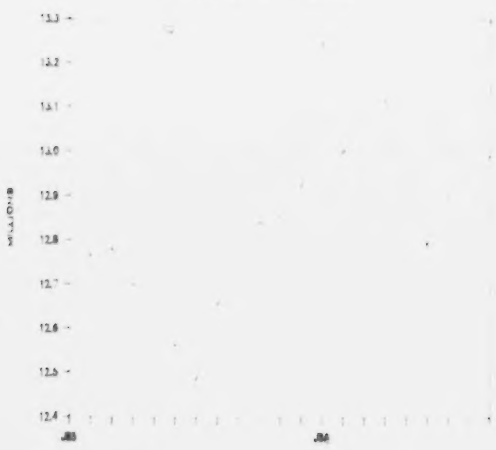
	Average Hourly Earnings* (Dollars)		Average Weekly Earnings* (Dollars)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	8.36	8.28	331.89	335.44
February	8.42	8.40	330.91	335.81
March	8.42	8.42	333.43	337.08
April	8.49	8.48	336.20	337.83
May	8.43	8.45	338.04	338.89
June	8.46	8.49	340.09	337.38
July	8.50	8.53	336.60	338.82
August	8.57	8.61	342.80	343.18
September	8.56	8.59	345.82	344.29
October	8.59	8.64	347.90	348.57
November	8.66	8.64	355.06	348.72
December	8.71	8.67	358.85	351.74
1986				
January	8.73	8.65	353.57	357.50
February	8.76	8.73	346.02	351.29
March	8.78	8.78	352.08	356.00
April	8.81	8.79	355.92	357.35
May	8.85	8.87	357.54	358.26
June	8.86	8.89	357.94	355.10
July	8.88	8.92	355.20	357.70
August	8.89	8.93	357.38	357.74
September	8.94	8.98	363.86	362.41

*These series have been adjusted to First Quarter 1985 benchmarks.

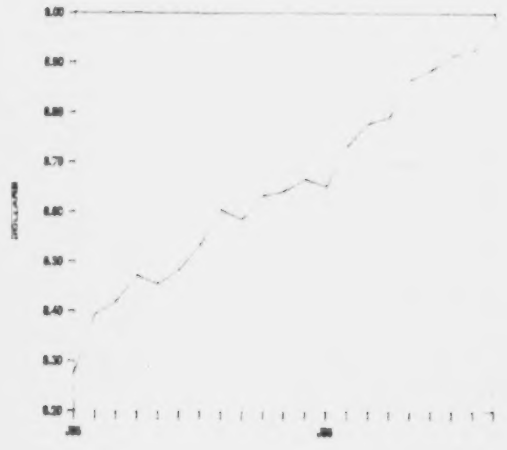
AVERAGE WEEKLY HOURS



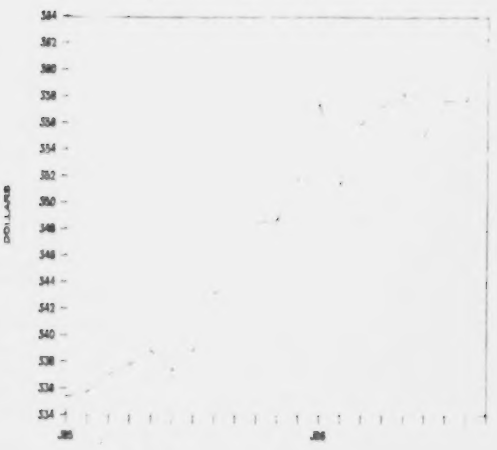
AVERAGE MAN-HOURS



AVERAGE HOURLY EARNINGS



AVERAGE WEEKLY EARNINGS

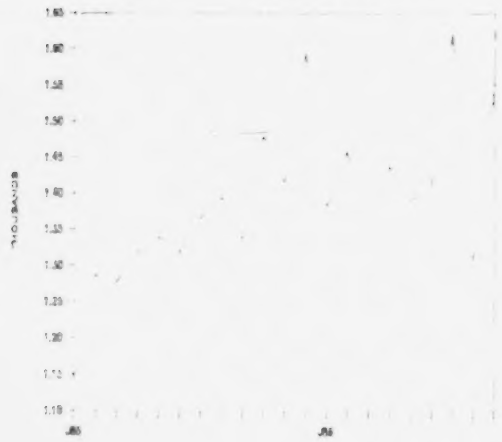


BUSINESS INDICATORS
January 1985 to September 1986

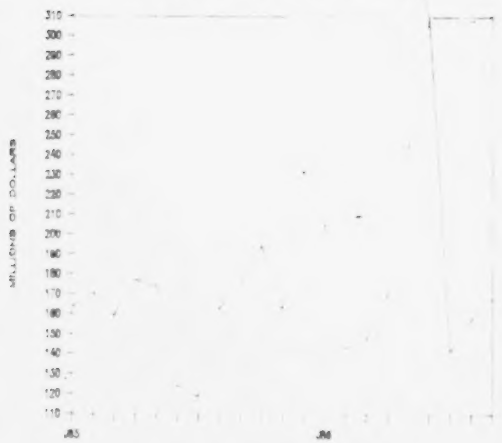
	New Business Incorporations (Number)		Valuation of Bldg. Permits ($ Millions)		New Vehicle Registrations (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	1,154	1,148	139.1	163.7	33,530	35,998
February	1,294	1,288	139.8	170.6	29,072	33,279
March	1,424	1,277	195.6	159.0	38,164	33,795
April	1,447	1,319	204.4	177.2	39,165	35,073
May	1,380	1,340	166.0	174.0	42,505	37,754
June	1,348	1,319	149.5	124.1	40,170	34,296
July	1,315	1,367	133.7	118.7	41,215	37,447
August	1,445	1,395	165.0	163.1	37,532	35,570
September	1,212	1,338	166.0	175.8	41,423	40,942
October	1,455	1,481	198.5	194.5	40,354	44,066
November	1,254	1,417	154.4	162.4	29,286	34,655
December	1,508	1,593	167.1	232.3	25,460	35,299
1986						
January	1,391	1,383	175.3	205.3	39,473	42,262
February	1,469	1,459	117.8	143.0	31,677	36,327
March	1,401	1,254	180.3	147.2	38,739	34,496
April	1,579	1,438	194.3	169.0	41,469	37,192
May	1,436	1,391	230.2	244.1	42,820	37,860
June	1,445	1,414	374.5	309.0	45,992	39,175
July	1,554	1,620	159.8	140.9	43,297	39,325
August	1,358	1,307	160.0	157.0	40,420	38,349
September	1,387	1,539	157.0	167.4	49,358	48,869

	Electrical Power Sales (Mil. of KWH)		Taxable Retail Sales ($ Millions)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	3,594.5	3,040.7	2,247.3	2,445.9
February	3,835.0	3,472.8	2,311.6	2,661.8
March	3,186.8	3,193.3	2,599.4	2,817.3
April	2,959.2	3,188.4	2,720.0	2,765.7
May	2,753.3	3,264.7	2,894.6	2,718.2
June	3,059.5	3,232.8	2,739.5	2,764.0
July	3,400.3	3,166.2	2,797.3	2,794.0
August	3,563.5	3,199.0	3,133.0	3,205.5
September	3,626.9	3,378.7	2,750.8	2,741.2
October	2,892.8	3,328.9	3,027.4	2,991.4
November	2,769.9	3,203.3	3,031.9	2,999.2
December	3,403.8	3,408.3	3,214.4	2,579.3
1986				
January	4,062.3	3,439.7	2,144.1	2,333.1
February	3,851.7	3,492.0	2,942.0	3,397.2
March	3,654.2	3,665.2	2,958.5	3,208.8
April	3,083.0	3,315.1	2,826.4	2,872.4
May	2,918.1	3,453.4	3,482.3	3,263.6
June	3,460.5	3,654.2	3,161.5	3,193.4
July	4,065.7	3,789.1	2,993.0	2,990.0
August	4,078.7	3,658.0	3,291.6	3,369.1
September	3,386.8	3,153.4	3,028.5	3,022.5

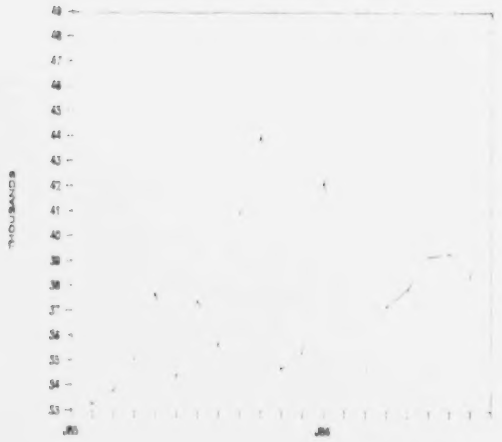
NEW BUSINESS INCORPORATIONS



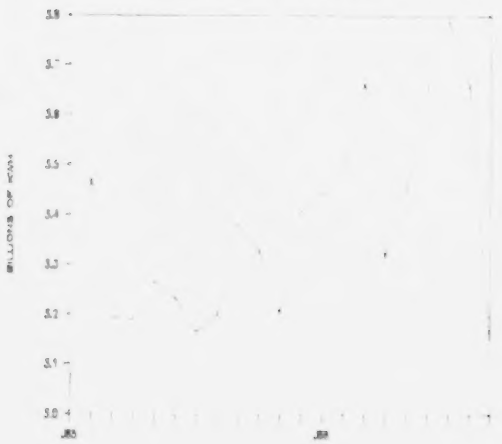
VALUATION OF BUILDING PERMITS



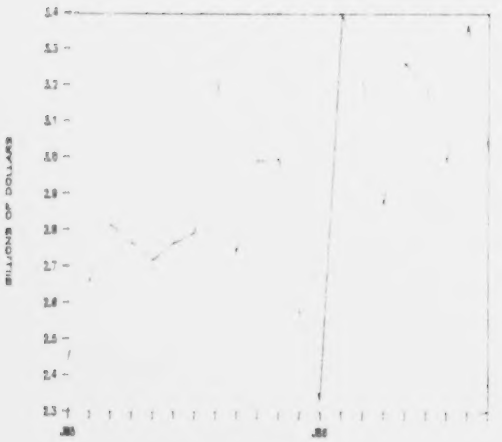
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



TAXABLE RETAIL SALES

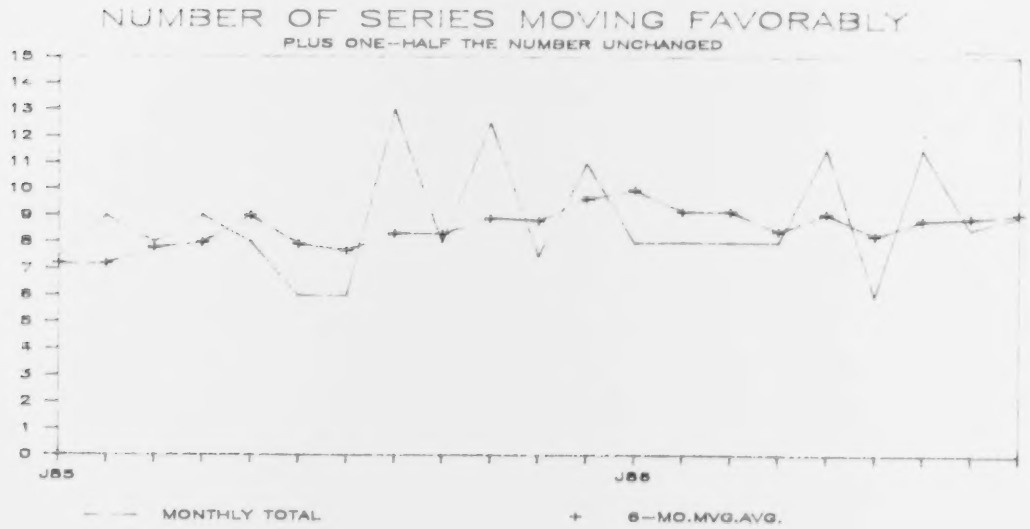


DATA SUMMARY SEPTEMBER 1986 (SEASONALLY ADJUSTED DATA)	Sept. 1986	Aug. 1986	Sept. 1985	Percent & (Direction) of Change 1/ Aug. '86- Sept. '86	 Sept. '85- Sept. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,539.2	2,526.4	2,458.0	+ 0.5 (+)	+ 3.3 (+)
*Manufacturing Employment (000)	426.4	429.8	421.6	- 0.8 (-)	+ 1.1 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	5.1	4.8	5.9	xxx (-)	xxx (+)
Average Weekly Initial Claims	6,258	6,211	6,777	+ 0.8 (+)	- 7.7 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	1.2	1.2	xxx (+)	xxx (+)
Unemployment Insurance Final Payments	2,332	1,846	2,142	+26.3 (-)	+ 8.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.4	40.1	40.1	+ 0.7 (+)	+ 0.7 (+)
*Average Manhours (000)	12,992.1	12,948.0	12,716.1	+ 0.3 (+)	+ 2.2 (+)
*Average Hourly Earnings ($)	8.98	8.93	8.59	+ 0.6 (+)	+ 4.5 (+)
*Average Weekly Earnings ($)	362.41	357.74	344.29	+ 1.3 (+)	+ 5.3 (+)
BUSINESS					
New Business Incorporations	1,539	1,307	1,338	+17.8 (+)	+15.1 (+)
Valuation of Building Permits - 18 Cities ($M)	167.4	157.0	175.8	+ 6.6 (+)	- 4.8 (-)
New Vehicle Registrations	48,869	38,349	40,942	+27.4 (+)	+19.4 (+)
Electrical Power Sales (M of KWH)	3,153.4	3,658.0	3,378.7	-13.8 (-)	- 6.7 (-)
Taxable Retail Sales ($M)	3,022.5	3,369.1	2,741.2	-10.3 (-)	+10.3 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1985 benchmarks

SUMMARY



DATA SUMMARY AUGUST 1986 (SEASONALLY ADJUSTED DATA)	Aug. 1986	July 1986	Aug. 1985	Percent & (Direction) of Change 1/ July '86- Aug. '86	 Aug. '85- Aug. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,526.4	2,524.1	2,437.0	+ 0.1 (+)	+ 3.7 (+)
*Manufacturing Employment (000)	429.8	430.2	421.8	- 0.1 (-)	+ 1.9 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.8	4.7	5.8	xxx (-)	xxx (+)
Average Weekly Initial Claims	6,211	6,319	7,526	- 1.7 (+)	-17.5 (+)
Average Weekly Insured Unemployment Rate (%)	1.2	1.1	1.3	xxx (-)	xxx (+)
Unemployment Insurance Final Payments	1,846	2,176	1,963	-15.2 (+)	- 5.9 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.1	40.1	39.9	0.0 (0)	+ 0.5 (+)
*Average Manhours (000)	12,948.0	12,900.5	12,650.7	+ 0.4 (+)	+ 2.3 (+)
*Average Hourly Earnings ($)	8.93	8.92	8.61	+ 0.1 (+)	+ 3.7 (+)
*Average Weekly Earnings ($)	357.74	357.70	343.18	0.0 (0)	+ 4.2 (+)
BUSINESS					
New Business Incorporations	1,307	1,620	1,395	-19.3 (-)	- 6.3 (-)
Valuation of Building Permits - 18 Cities ($M)	157.0	140.9	163.1	+11.4 (+)	- 3.7 (-)
New Vehicle Registrations	38,349	39,325	35,570	- 2.5 (-)	+ 7.8 (+)
Electrical Power Sales (M of KWH)	3,658.0	3,789.1	3,199.0	- 3.5 (-)	+14.3 (+)
Taxable Retail Sales ($M)	3,369.1	2,990.0	3,205.5	+12.7 (+)	+ 5.1 (+)

DATA SUMMARY JULY 1986 (SEASONALLY ADJUSTED DATA)	July 1986	June 1986	July 1985	Percent & (Direction) of Change 1/ June '86- July '86	 July '85- July '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,524.1	2,521.5	2,432.0	+ 0.1 (+)	+ 3.8 (+)
*Manufacturing Employment (000)	430.2	425.4	418.7	+ 1.1 (+)	+ 2.7 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.7	5.1	6.0	xxx (+)	xxx (+)
Average Weekly Initial Claims	6,319	6,616	8,875	- 4.5 (+)	-28.8 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	1.1	1.4	xxx (0)	xxx (+)
Unemployment Insurance Final Payments	2,176	2,122	2,492	+ 2.6 (-)	-12.7 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.1	39.9	39.7	+ 0.5 (+)	+ 1.0 (+)
*Average Manhours (000)	12,900.5	12,788.0	12,480.6	+ 0.9 (+)	+ 3.4 (+)
*Average Hourly Earnings ($)	8.92	8.89	8.53	+ 0.3 (+)	+ 4.5 (+)
*Average Weekly Earnings ($)	357.70	355.10	338.82	+ 0.7 (+)	+ 5.6 (+)
BUSINESS					
New Business Incorporations	1,620	1,414	1,367	+14.6 (+)	+18.5 (+)
Valuation of Building Permits - 18 Cities ($M)	140.9	309.0	118.7	-54.4 (-)	+18.7 (+)
New Vehicle Registrations	39,325	39,175	37,447	+ 0.4 (+)	+ 5.0 (+)
Electrical Power Sales (M of KWH)	3,789.1	3,654.2	3,166.2	+ 3.7 (+)	+19.7 (+)
Taxable Retail Sales ($M)	2,990.0	3,193.4	2,794.0	- 6.4 (-)	+ 7.0 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1985 benchmarks

THE VIRGINIA LEADING AND COINCIDENT INDEXES

by Alex Valz

In the last issue of Virginia Economic Indicators, we introduced a preliminary index of leading indicators for Virginia. The index incorporated the methodology developed by the Bureau of Economic Analysis of the U. S. Department of Commerce in compiling the national indexes. During the past three months, we have attempted to refine the index by using moving averages to smooth random fluctuations in the series, deflating the valuation of building permits to 1982 dollars, and eliminating one series, new vehicle registrations, which is not included in the national index. The refinements have led to what should be a more reliable leading measure of business activity in the State. Specifically, the leading index now includes: average weekly initial claims for State unemployment insurance (three-month moving average); average weekly hours of production for nonsupervisory workers, manufacturing (five-month moving average); new business incorporations (six-month moving average); and building permits, 1982 dollars (six-month moving average). Although only four of the 12 components used in the national index were used for the State index, we are hoping to add additional series as they become available.

With this issue, we are introducing an index of coincident indicators for Virginia. Fortunately, the actual series or near proxies for the series are available on a statewide basis for all of the components of the national index. The components of the coincident index are: employees on nonagricultural payrolls, personal income less transfer payments, 1982 dollars; the index of industrial production; and retail sales, 1967 dollars.

The indexes have 1977 as a base year rather than 1967, the national index base year, primarily because one series, Virginia retail sales, is not available on a monthly basis prior to 1974. In selecting the base year for the State indexes, it was felt that 1977, a mid-cycle year, was preferable to 1974, a recessionary year, for obvious reasons.

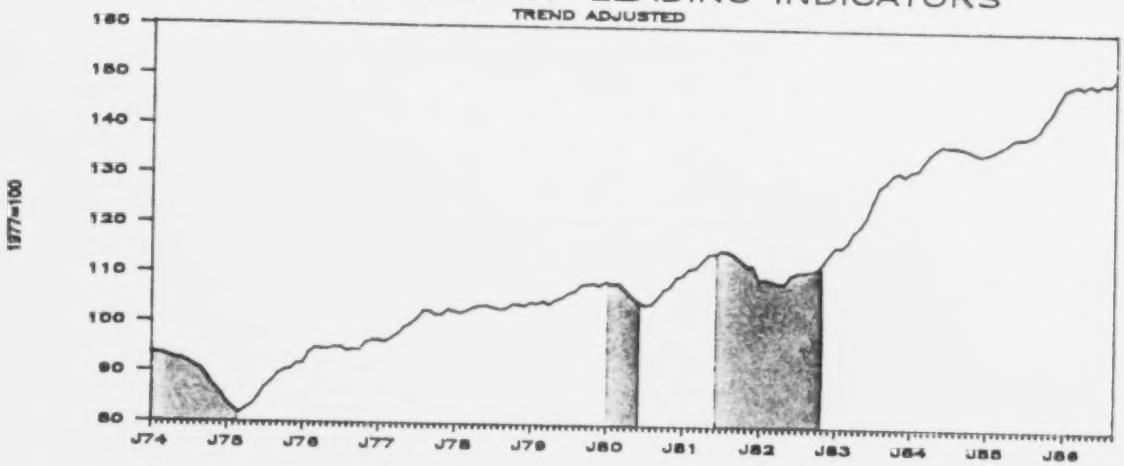
The following figures show the performance of the leading and coincident indexes for the 1985-1986 period. The charts on the opposite page show the indexes for the 1974 to 1986 period.

1985	Leading Index (1977=100)	Monthly Percent Change	Quarterly Percent Change	Coincident Index (1977=100)	Monthly Percent Change	Quarterly Percent Change
January	135.8	+0.3	0.0	126.3	0.0	0.0
February	136.5	+0.5	+0.4	126.4	+0.1	+0.8
March	137.1	+0.5	0.0	127.2	+0.6	0.0
April	137.8	+0.5	0.0	127.7	+0.4	0.0
May	138.8	+0.7	+1.5	128.2	+0.4	+1.2
June	139.0	+0.2	0.0	128.4	+0.2	0.0
July	139.2	+0.1	0.0	128.6	+0.1	0.0
August	139.7	+0.4	+1.0	129.8	+1.0	+1.2
September	140.6	+0.7	0.0	130.6	+0.6	0.0
October	142.7	+1.5	0.0	132.2	+1.2	0.0
November	144.2	+1.0	+3.4	133.3	+0.9	+2.6
December	146.8	+1.8	0.0	133.7	+0.3	0.0
Avg. Mo. Change	0.0	+0.7	0.0	0.0	+0.5	0.0
1986						
January	149.0	+1.5	0.0	133.3	-0.3	0.0
February	149.5	+0.3	+3.4	133.7	+0.3	+0.6
March	150.0	+0.3	0.0	134.5	+0.6	0.0
April	149.4	-0.4	0.0	134.1	-0.3	0.0
May	150.3	+0.6	+0.2	134.7	+0.4	+0.6
June	149.5	-0.5	0.0	135.1	+0.4	0.0
July	150.3	+0.5	0.0	136.2	+0.8	0.0
August	150.0	-0.2	+0.5	135.9	-0.2	+1.0
September	151.2	+0.8	0.0	136.0	+0.1	0.0
Avg. Mo. Change	0.0	+0.3	0.0	0.0	+0.2	0.0

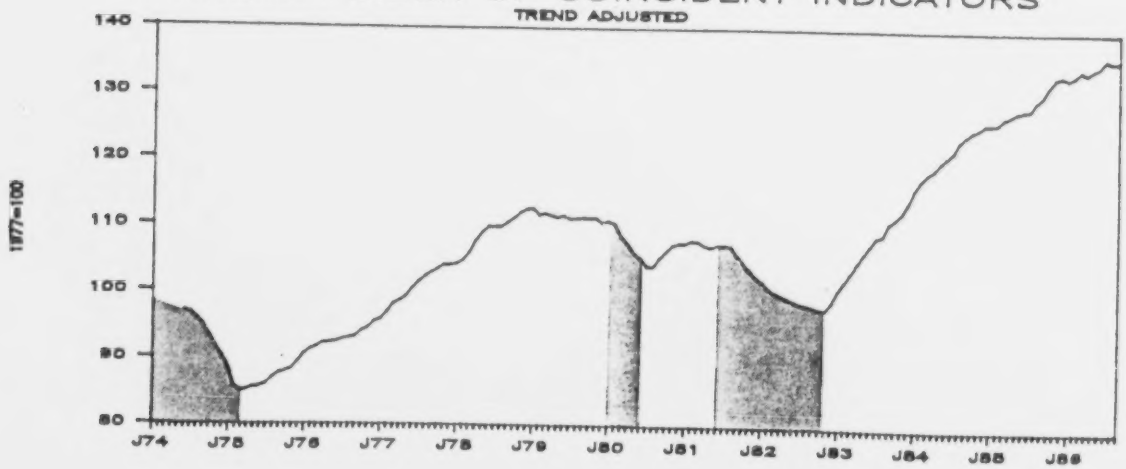
Increases less than 0.05% are expressed as 0.0%

It is obvious from the indexes that economic activity in Virginia has slowed in recent months. However, while that measure of activity reflected in the indexes has slowed, a slump is not indicated in the near term. Although both indexes registered healthy gains during some months of 1986, decreases were recorded other months and somewhat of a sawtooth pattern has become prevalent. During the most recent period available, the third quarter, the leading index averaged 150.5 percent of 1977, a 0.5 percent increase over the second quarter average of 149.7. The performance of the coincident index over the same time frame showed a 1.0 percent increase, from 134.7 to 136.0. Both indexes indicated that the third quarter was stronger than the second quarter. The second quarter averages showed increases over the first quarter of 0.2 percent for the leading index and 0.6 percent for the coincident index.

VIRGINIA INDEX OF LEADING INDICATORS



VIRGINIA INDEX OF COINCIDENT INDICATORS



Of the individual components of the leading index, new business incorporations appeared to be the main driver during two of the three months of the third quarter--July and September. Average initial claims for unemployment insurance also showed strong positive trends for those two months. A decline in this latter component indicates improvement as it reflects a downtrend in layoff activity. The average hours worked by manufacturing production workers dropped during all three months of the third quarter based on a five-month moving average. The downtrend in this component could point to some softness in the manufacturing sector in the months ahead. The valuation of building permits measured in 1982 dollars remained strong throughout the third quarter.

Of the coincident index components, personal income, minus transfer payments expressed in 1982 dollars, declined during the first two months of the third quarter due to losses in farm proprietors' income caused by the drought and other recent factors. All other segments of personal income apparently continued to trend upward, however. The index of industrial production for Virginia continued to add strength to the leading index throughout the quarter, although it had lost a little steam by September. The latest quarter for these two components (personal income and index of industrial production) is a projection by Chase Econometrics. All estimates for previous quarters are compiled by the Bureau of Economic Analysis of the U. S. Department of Commerce. Current dollars for personal income are then converted to 1982 dollars by applying the national GNP deflators. Of the remaining components, nonagricultural wage and salary employment boosted the index while retail sales, measured in 1967 dollars, declined and acted as a drag during the last two months of the quarter. Noting the improved performance of the leading index during the third quarter, there is reason to believe that the coincident index will gain strength during the fourth quarter.

The performance of the leading index over the business cycle appears to vary with that of its national counterpart. The Virginia leading index appears to slightly lag, by one month, the 1980 trough and the 1981 peak designated by the Bureau of Economic Analysis. The short duration and relatively mild nature of these business cycles in Virginia are probably the reasons why the State index is less sensitive than the national index. The State leading index, however, turned in a good performance during 1982, preceding the trough of that recession by six months. The State coincident index showed nearly the exact pattern as the national coincident index as is evident in the chart on the preceding page.

The indexes will become a regular feature of this publication beginning with this issue.

HISTORICAL SUMMARY

Performance of Indicators Over the Business Cycle

GENERAL INFORMATION

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

BUSINESS CYCLE TURNING POINTS

The shaded spaces on the charts represent the 1973-75, 1980, and 1981-82 recessions as designated by the National Bureau of Economic Research (NBER). The beginning of a recession is defined as the month when aggregate economic activity in the U. S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. According to NBER, the 1973-75 recession began in November 1973 and ended in March 1975, the 1980 recession began in January 1980 and ended in July 1980, and the 1981-82 recession began in July 1981 and ended in November 1982.

SEASONAL ADJUSTMENT

To correlate changes in a time series and changes in the business cycle it is desirable

SEASONAL ADJUSTMENT (continued)

to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in Indicators have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

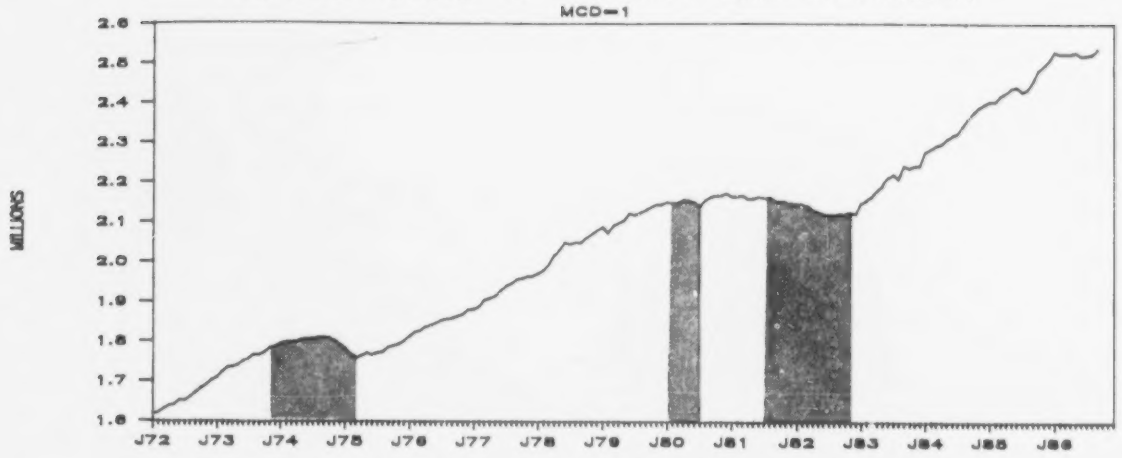
MONTHS FOR CYCLICAL DOMINANCE (MCD)

After seasonal adjustment there often remains a significant degree of purely random change, the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data--the greater the MCD the more random and less cyclically significant are monthly changes in the series. Where noted, charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

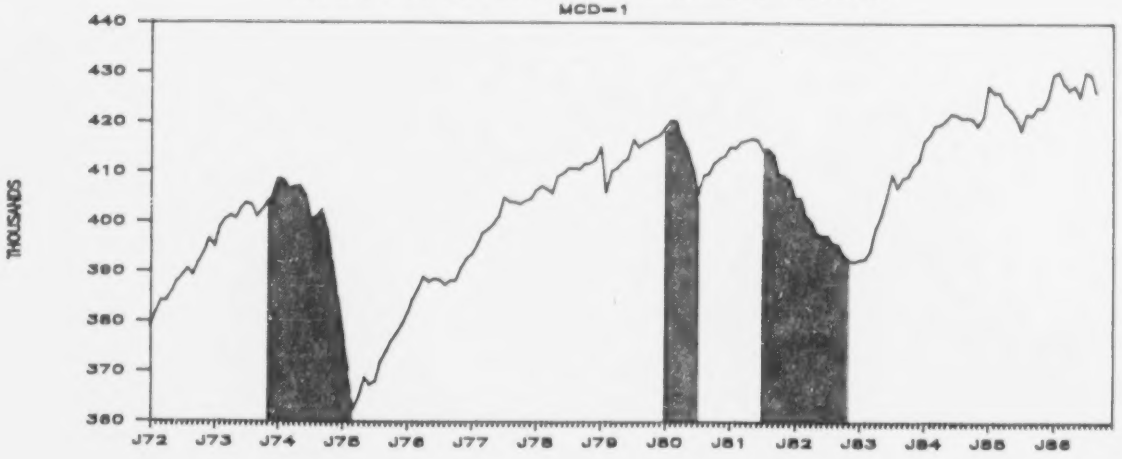
DATA SOURCES

Nonagricultural Wage and Salary Employment..... Virginia Employment Commission (VEC)
Manufacturing Employment..... VEC
Total Unemployment Rate..... VEC
Average Weekly initial Claims..... VEC
Insured Unemployment Rate..... VEC
Unemployment Insurance Final Payments..... VEC
Average Manhours..... VEC
Average Hourly Earnings..... VEC
Average Weekly Earnings..... VEC
Average Workweek..... VEC
New Business Incorporations..... Virginia State Corporation Commission
Valuation of Building Permits - 18 Cities..... Local Building Inspectors
New Vehicle Registrations..... Virginia State Division of Motor Vehicles
Electrical Power Sales..... VEPCO, Appalachian Power Co., Delmarva Electric Co., Tennessee Power Company
Taxable Retail Sales..... Virginia State Department of Taxation
Taxable Retail Sales/CPI..... Virginia State Department of Taxation

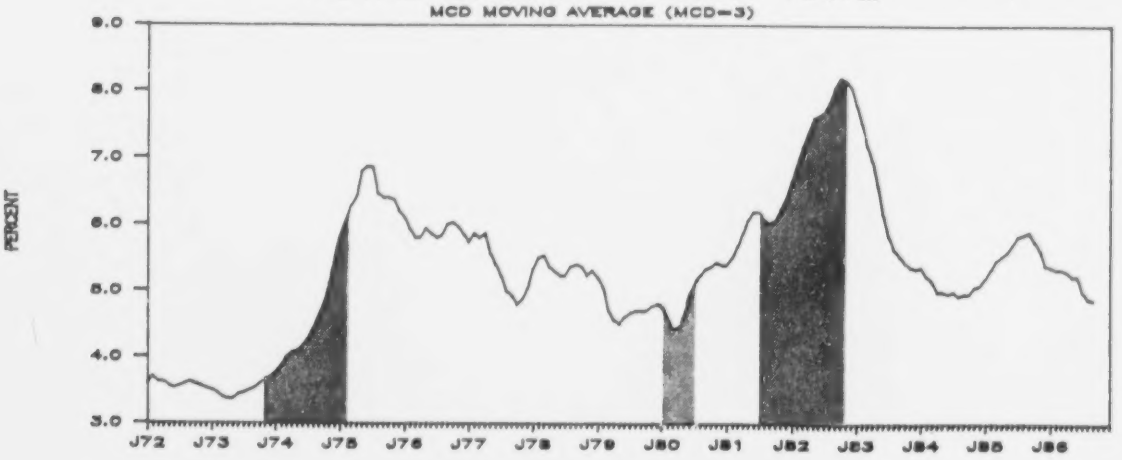
NONAG WAGE & SALARY EMPLOYMENT



MANUFACTURING EMPLOYMENT

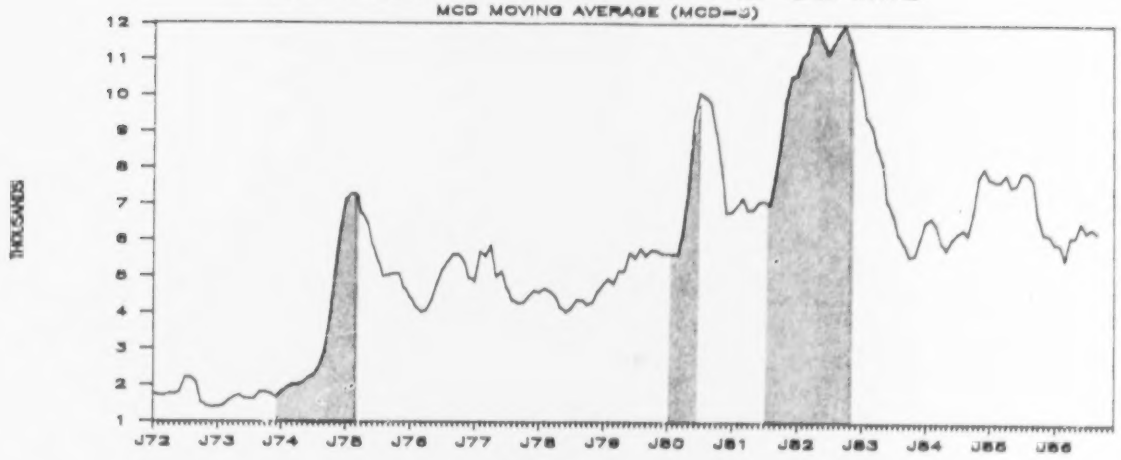


TOTAL UNEMPLOYMENT RATE



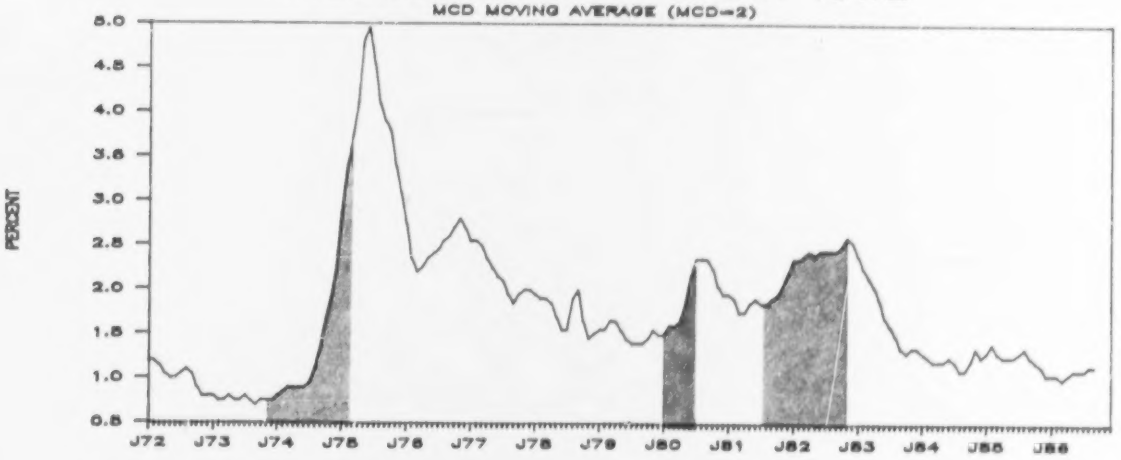
AVERAGE WEEKLY INITIAL CLAIMS

MCD MOVING AVERAGE (MCD=3)



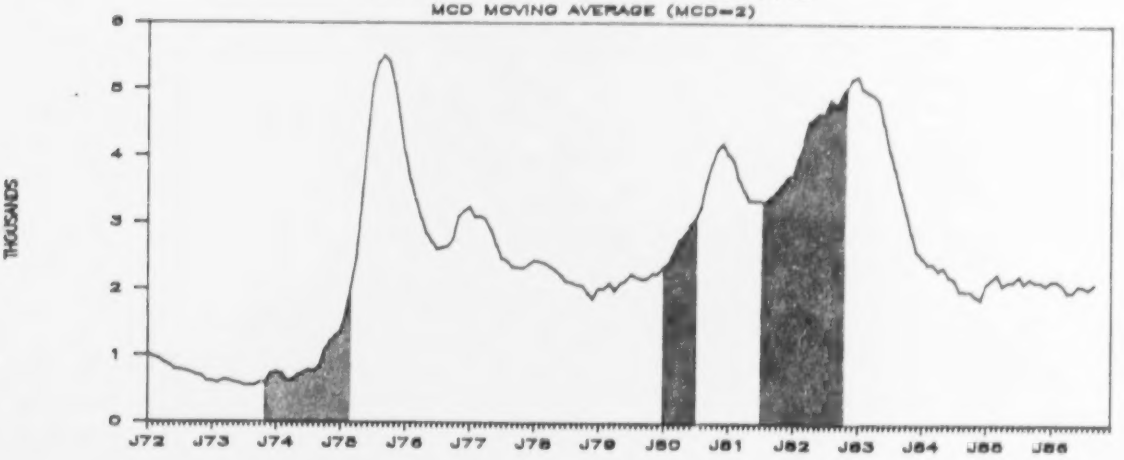
INSURED UNEMPLOYMENT RATE

MCD MOVING AVERAGE (MCD=2)



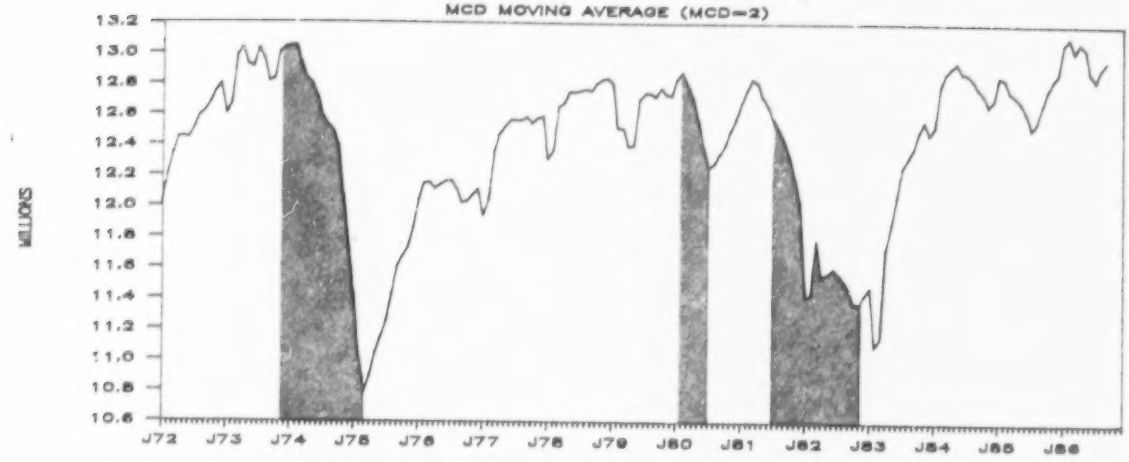
U. I. FINAL PAYMENTS

MCD MOVING AVERAGE (MCD=2)



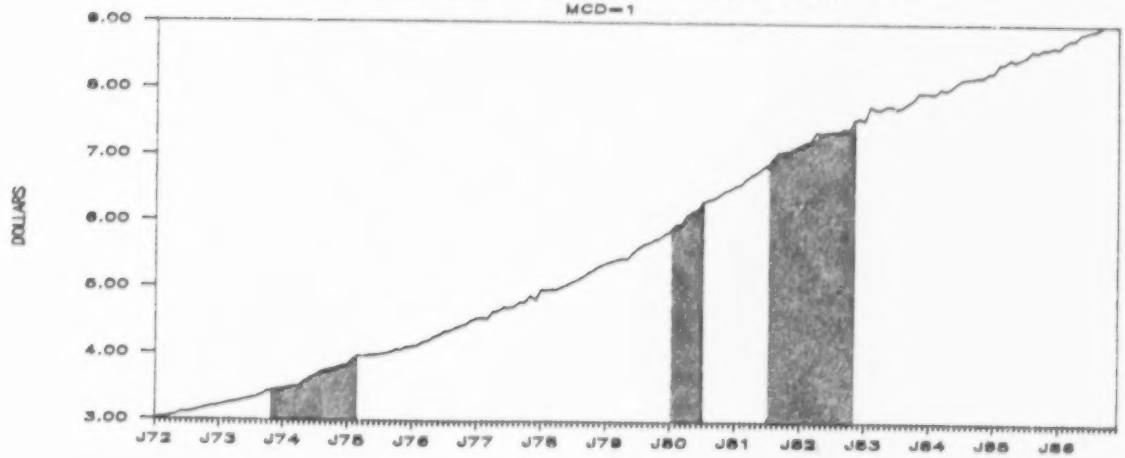
AVERAGE MANHOURS

MCD MOVING AVERAGE (MCD=2)



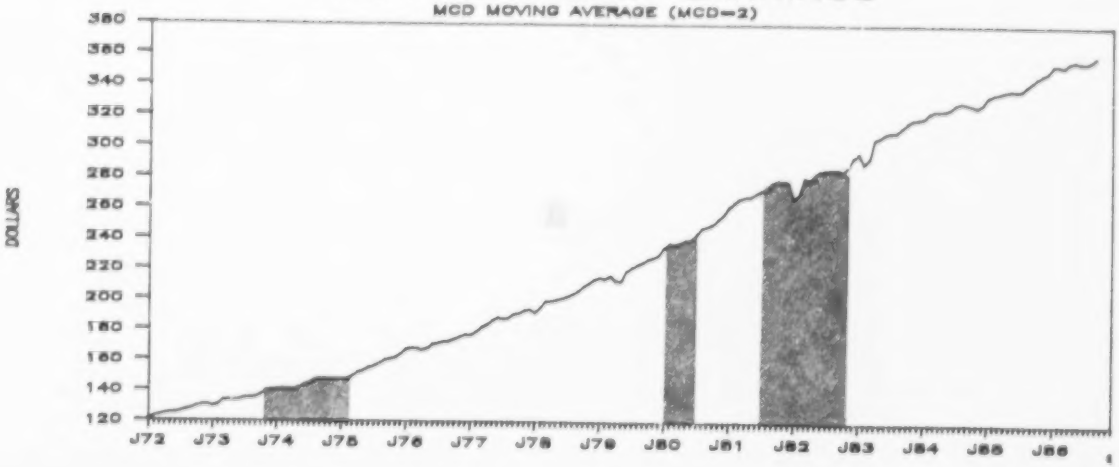
AVERAGE HOURLY EARNINGS

MCD=1



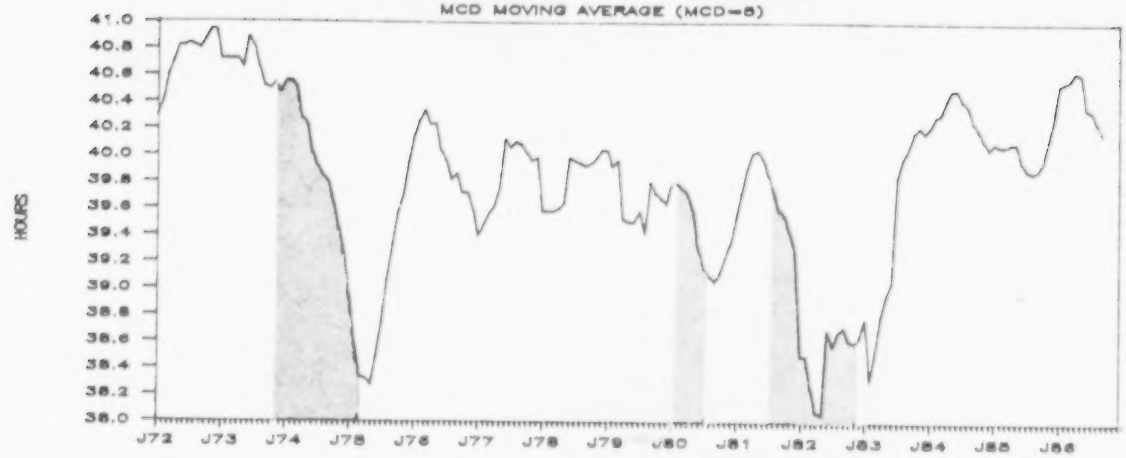
AVERAGE WEEKLY EARNINGS

MCD MOVING AVERAGE (MCD=2)



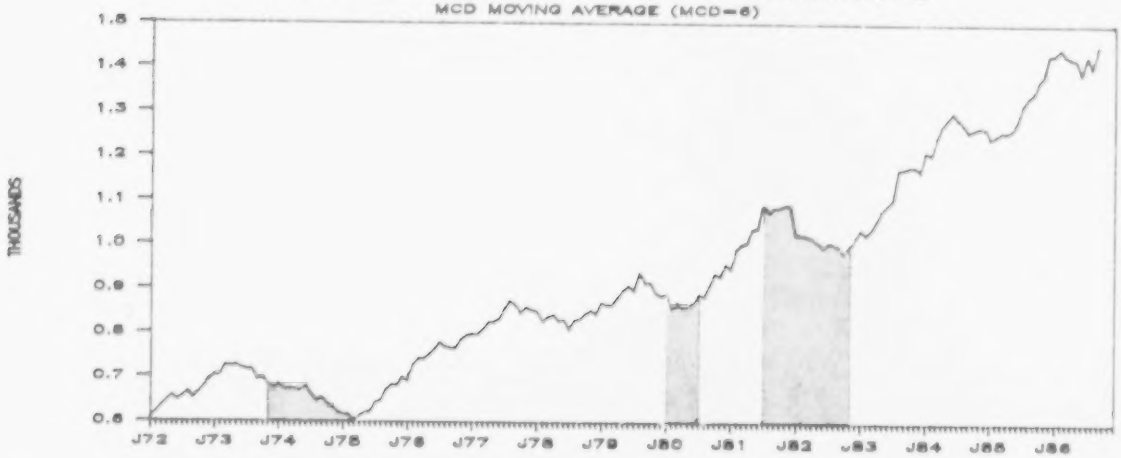
AVERAGE WORKWEEK

MCD MOVING AVERAGE (MCD=6)



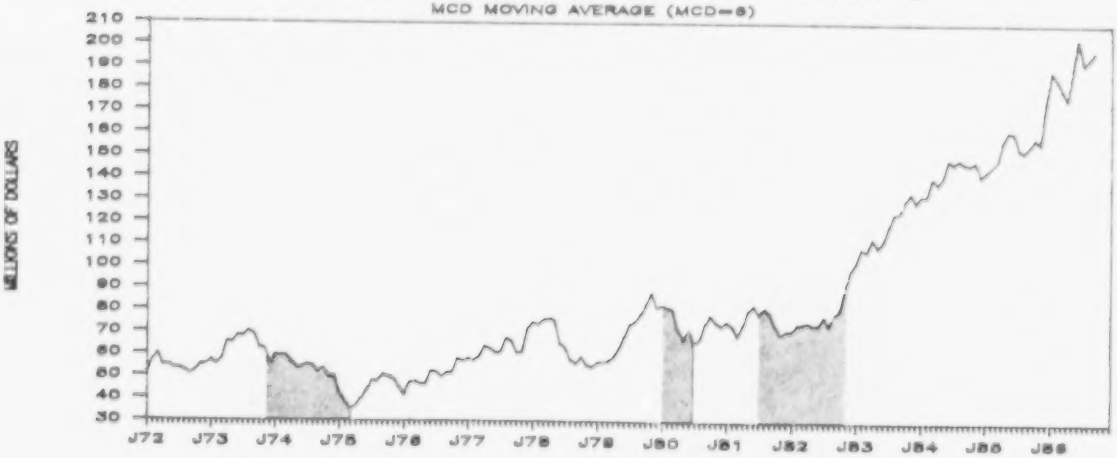
NEW BUSINESS INCORPORATIONS

MCD MOVING AVERAGE (MCD=6)



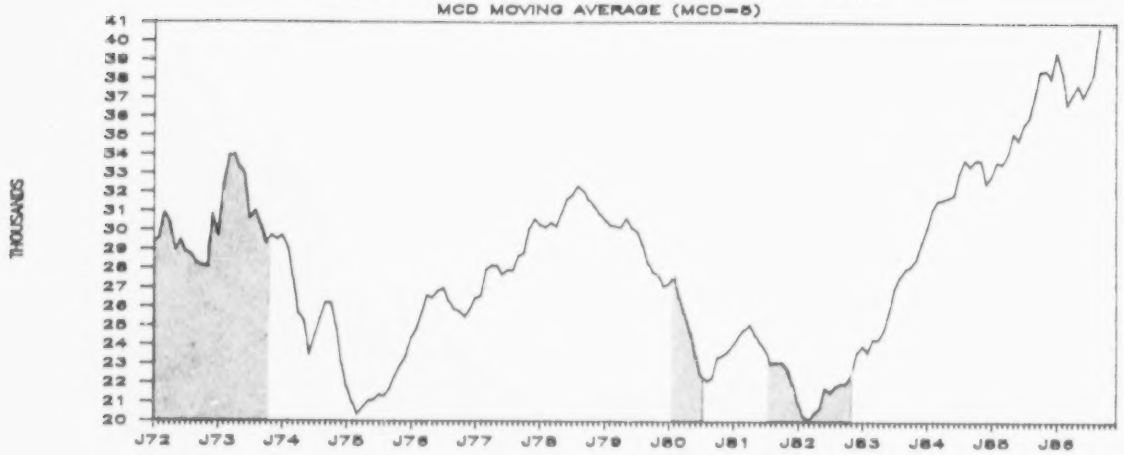
VALUATION OF BUILDING PERMITS

MCD MOVING AVERAGE (MCD=6)



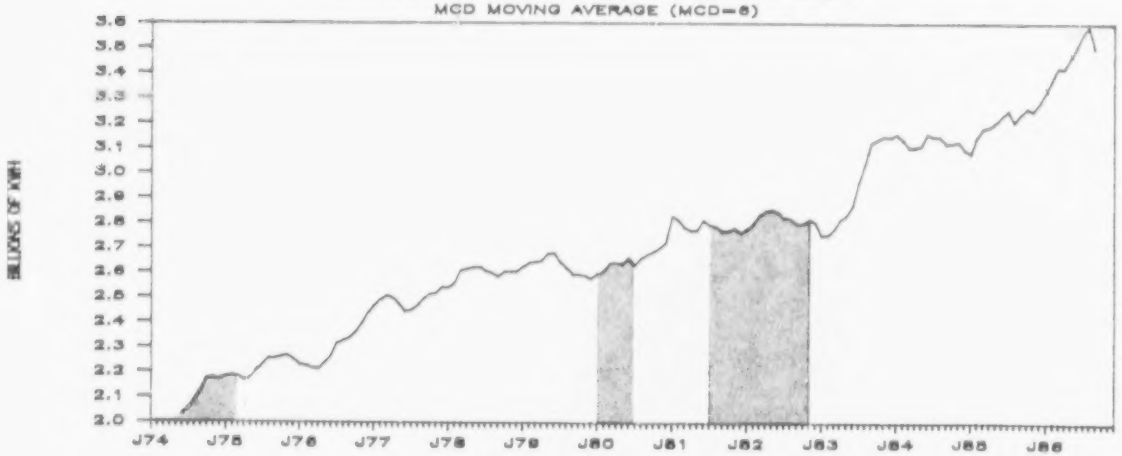
NEW VEHICLE REGISTRATIONS

MCD MOVING AVERAGE (MCD=6)



ELECTRICAL POWER SALES

MCD MOVING AVERAGE (MCD=6)



TAXABLE RETAIL SALES

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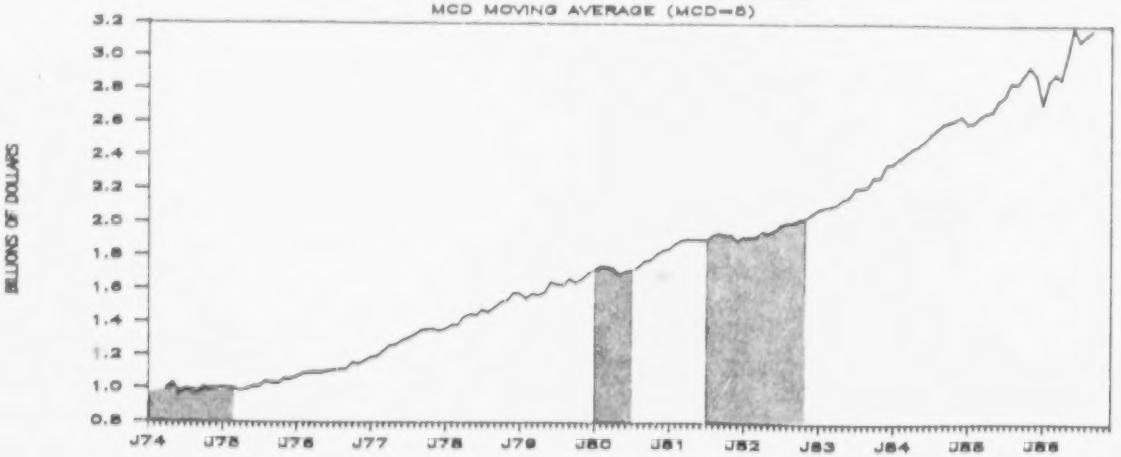
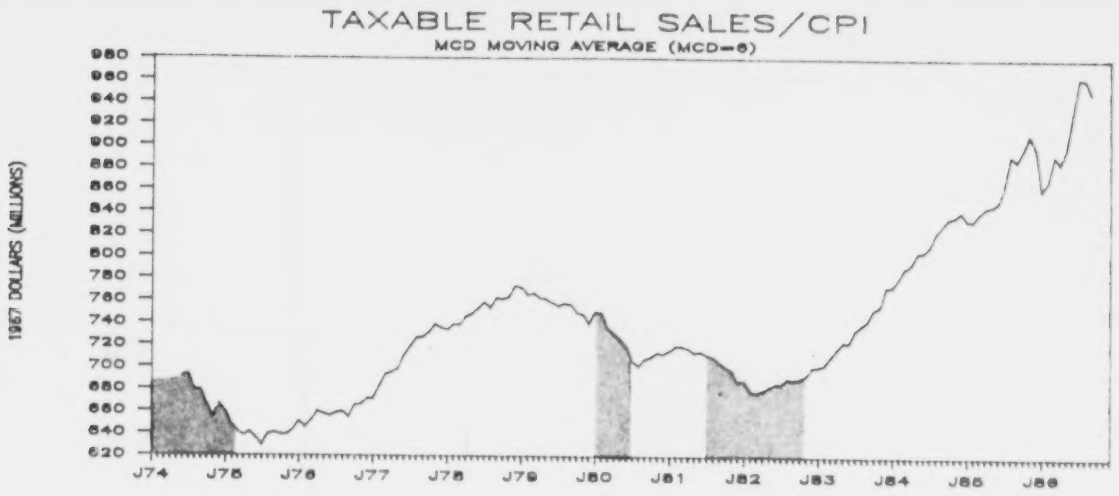



TAXABLE RETAIL SALES/CPI
MCD MOVING AVERAGE (MCD=6)
1967 DOLLARS (MILLIONS)
980
960
940
920
900
880
860
840
820
800
780
760
740
720
700
680
660
640
620
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86

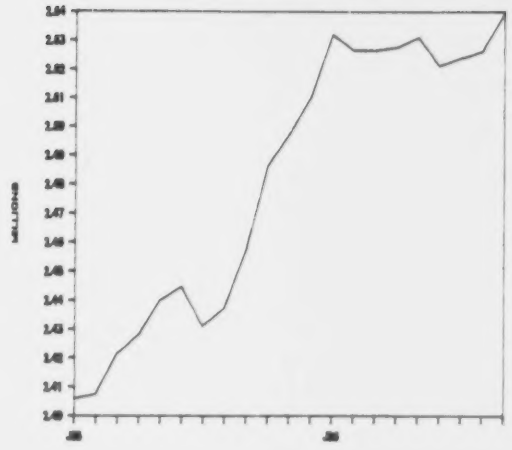
ATTENTION READERS

ADDENDUM TO PAGES 3, 5 & 7 OF

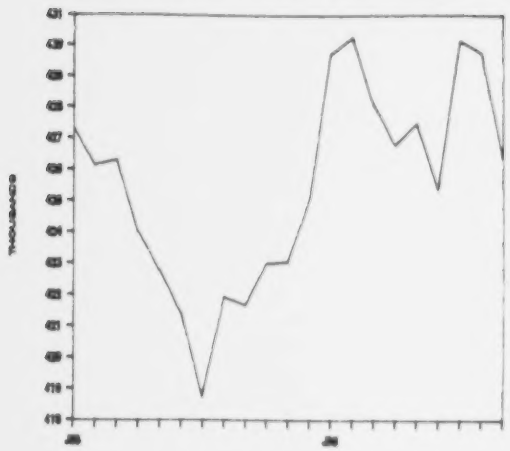
VIRGINIA ECONOMIC INDICATORS, VOL. XVIII, NO. 3

Due to printing equipment problems, graphs on pages 3, 5, and 7 were subquality. Enclosed are quality reprints as replacements. We apologize for any inconvenience this may cause.

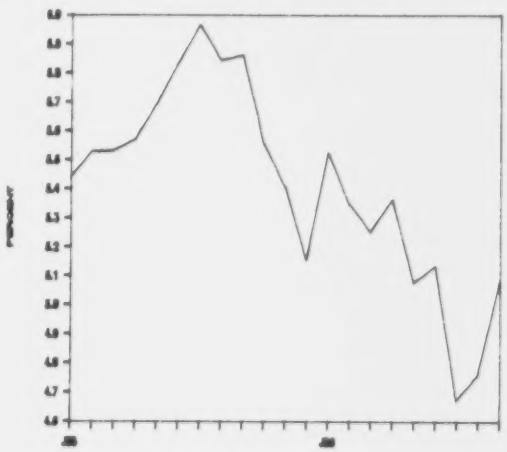
NONAG W & S EMPLOYMENT



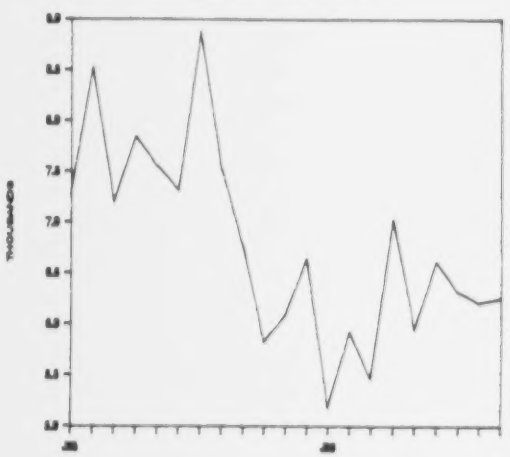
MANUFACTURING EMPLOYMENT



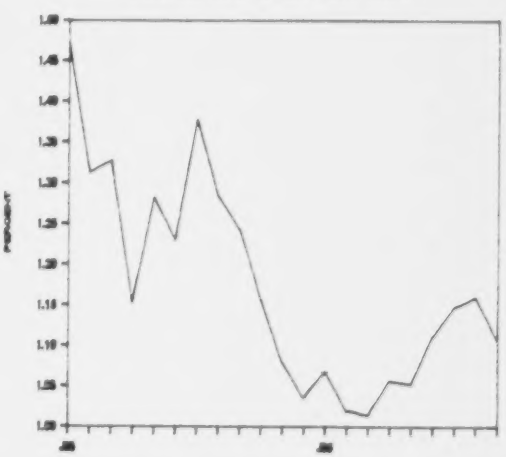
TOTAL UNEMPLOYMENT RATE



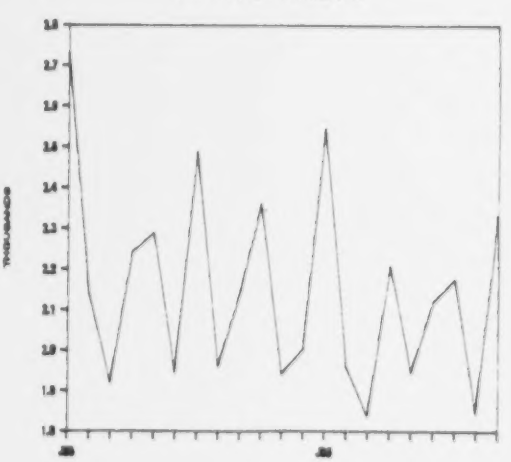
AVG. WEEKLY INITIAL CLAIMS



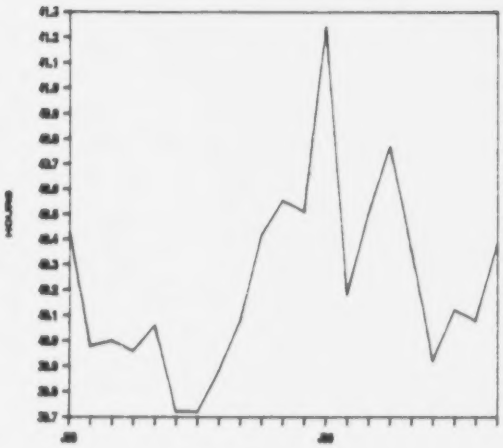
INSURED UNEMPLOYMENT RATE



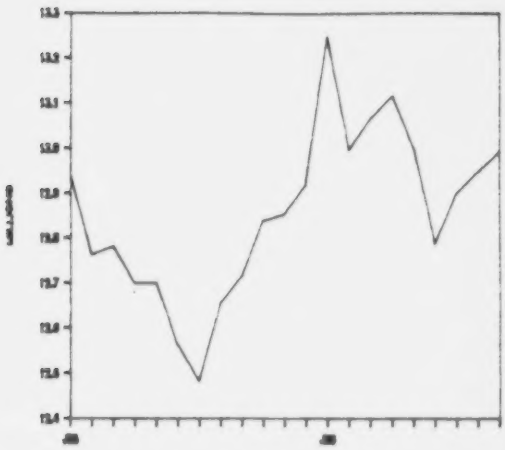
U.I. FINAL PAYMENTS



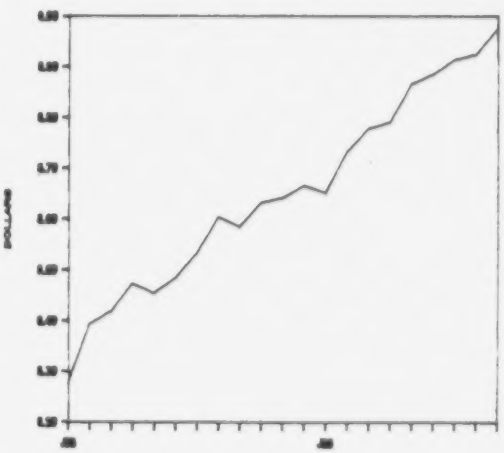
AVERAGE WEEKLY HOURS



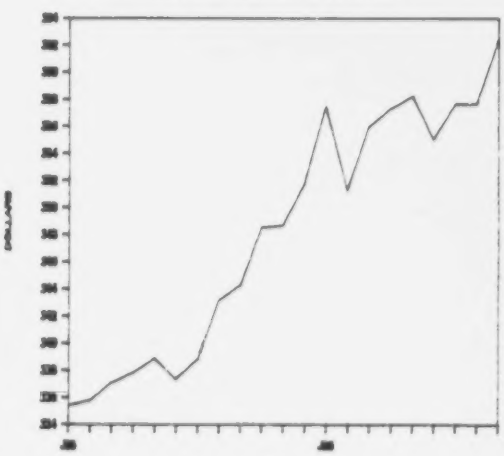
AVERAGE MANHOURS



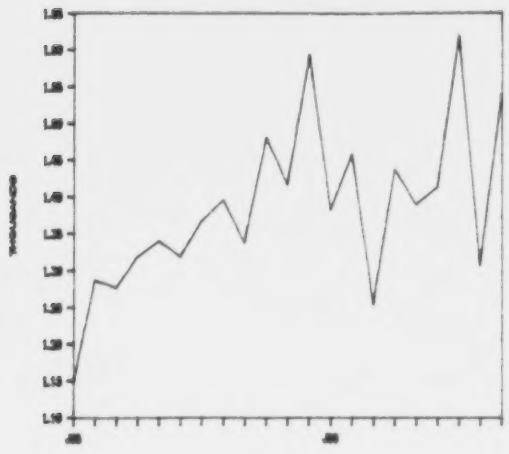
AVERAGE HOURLY EARNINGS



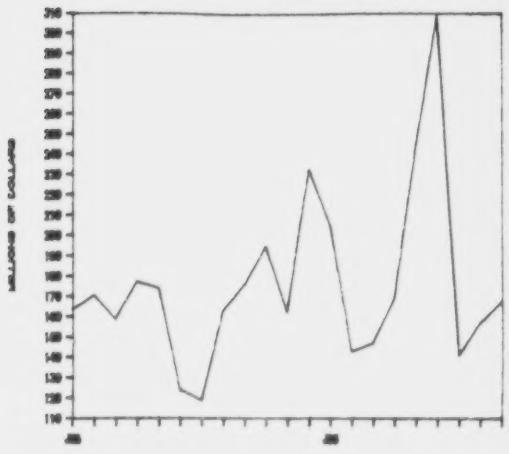
AVERAGE WEEKLY EARNINGS



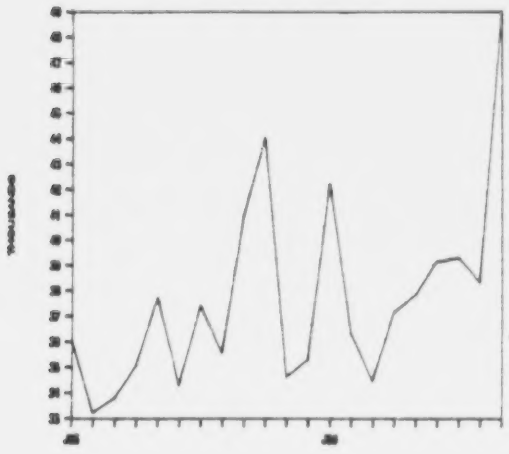
NEW BUSINESS INCORPORATIONS



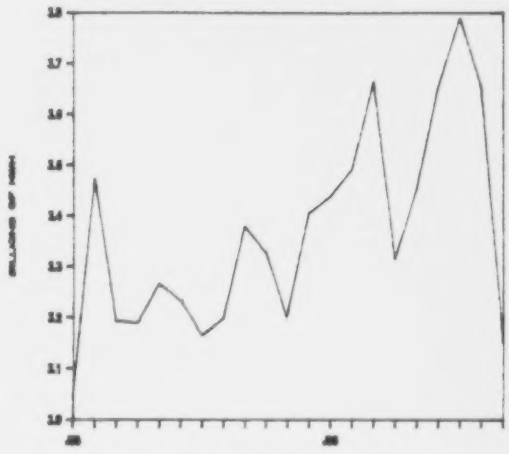
VALUATION OF BUILDING PERMITS



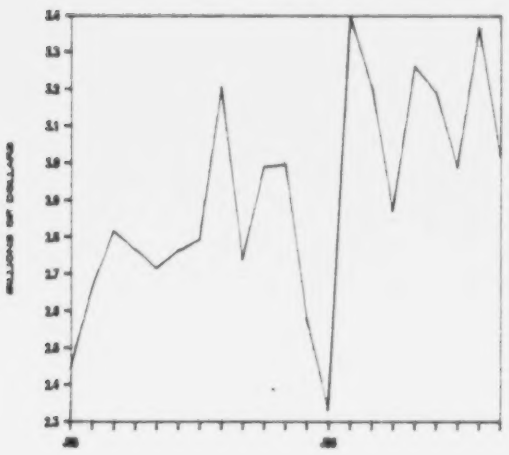
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



TAXABLE RETAIL SALES



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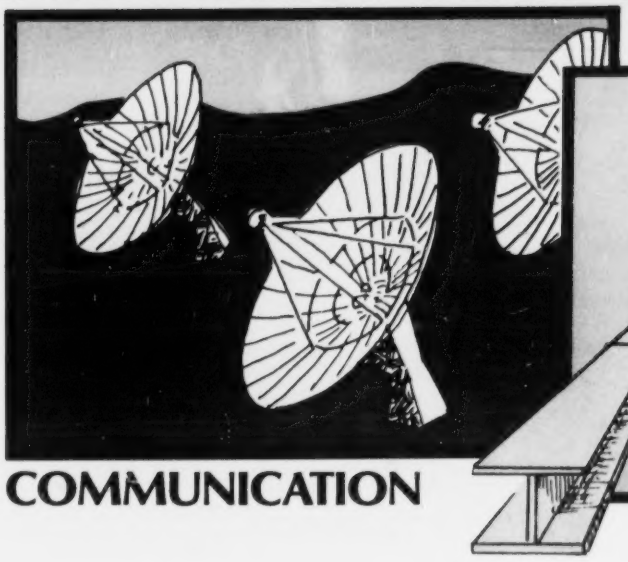
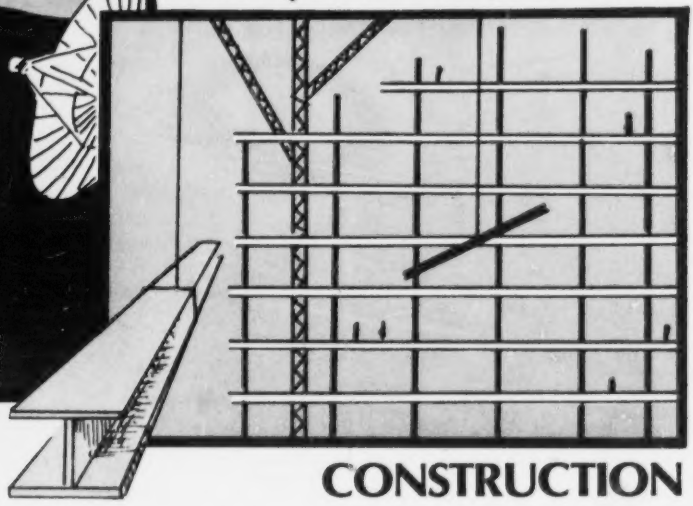
VIRGINIA ECONOMIC INDICATORS

VOL. XVIII NO. 4

4th QUARTER 1986 DATA

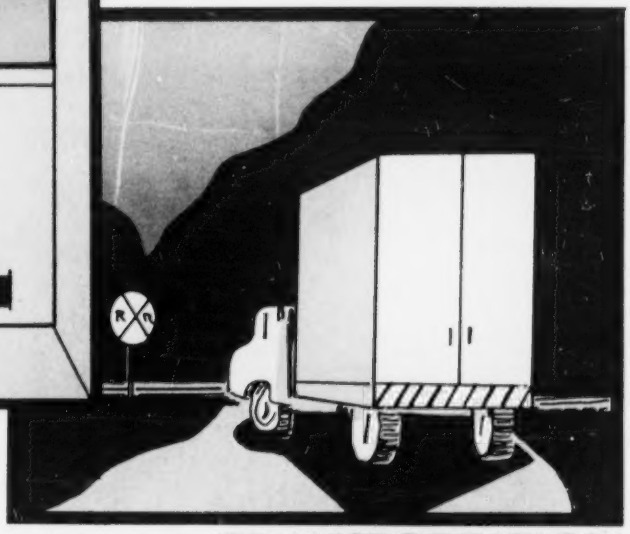


COMMUNICATION



CONSTRUCTION

BANKING



TRANSPORTATION

Virginia Employment Commission

FOREWORD

This publication is designed to depict the movement of Virginia's key economic indicators in graphic and tabular form with accompanying narrative analysis.

We welcome any comments, suggestions, or questions concerning Virginia Economic Indicators. Please contact Jeffrey A. Windom, Director, Economic Information Services Division, P. O. Box 1358, Richmond, Virginia 23211, telephone (804) 786-7496, for additional information or explanation of the contents of this document.

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ECONOMIC OUTLOOK - U. S.

1987 and 1988 U. S. Forecast Highlights

- CY 1986 ended in slow growth (+1.3 percent Gross National Product [GNP] for the fourth quarter; 2.5 percent for the year).
  - Real consumption (1982 $) fell by 0.1 percent in the fourth quarter. Consumer debt burden, slowing of real personal income began to slow consumption.
  - Export sales continued to pick up as a result of the dollar's decline.
  - Off-again, on-again cut-rate financing along with cutback in consumer interest deduction for 1987 caused auto sales to fluctuate during the fourth quarter.
  - Retail sales were up due to last minute Christmas purchases and the furnishing of record new housing units.
  - The year-end increase in auto and retail sales, in order to gain tax deductions for 1986, pushed the savings rate down to 2.5 percent, lower than the third quarter's record low of 2.8 percent.
- GNP forecasted to slow to 2.3 percent for CY 1987.
  - Consumers with heavy debt burdens will slow spending to almost half of the 1986 growth rate.
  - The declining dollar will push up industrial production by 2.8 percent and lower the trade deficit by 7 percent.
  - Due to increased corporate tax burden, real business investment will fall by 1.9 percent.
  - Construction of tax-sheltered, overbuilt multi-family housing will decline considerably as a result of tax reform and market forces.
  - Inflation will be twice as high as the 1.9 percent rate of 1986.
- The Tax Reform Act of 1986 will have its full impact in CY 1988.
  - Top tax rate falls from 38.5 percent to 27 percent (assuming no Congressional tampering).
  - GNP growth of 2.6 percent, strongest of forecast period.
  - Uncertainty caused by tax reform will have mostly disappeared; real business investment increases by only 2.0 percent, but reverses two years of decline.
  - The full effects of the lower dollar appear with industrial production rising by 3.4 percent and the trade deficit falling more than $20 billion, but employment rises only 1.7 percent.

ECONOMIC OUTLOOK - VIRGINIA

1987 and 1988 Virginia Forecast Highlights

- With employment in Virginia at record levels, the State is forecast to be in a stable, high employment but low growth period for the next two years.
- Trade, finance, and services should continue growing, but not as fast as the last two years.
- The State's manufacturers will continue to benefit from the lower dollar, but employment will grow only 1.3 percent per year.
- Construction, particularly commercial and multi-family residential, will be hurt by the federal tax reform and saturated markets.
- The jobless rate will hold steady at 4.9 percent throughout 1987 and 1988.
- The metropolitan areas with a significant government presence--Northern Virginia, Norfolk-Virginia Beach-Newport News, Richmond-Petersburg, and Roanoke--will experience higher growth and lower unemployment than those without--Danville and Lynchburg.
- Growth for 1987 and 1988 will be somewhat lower than in 1986 due to the decline in construction, zero growth in federal spending, and gaps in federal defense spending.
- Sales and gas tax hikes may dampen consumer spending.

James P. Wilson

HIGHLIGHTS
VIRGINIA ECONOMIC INDICATORS
Fourth Quarter 1986

- During Fourth Quarter 1986, five of the Virginia economic indicator series set records on a seasonally adjusted basis. All records for the quarter were set in December.
  - Nonagricultural wage and salary employment reached 2,613,400 in December, 3.7 percent higher than in December 1985.
  - Average hourly earnings for factory workers rose to $8.98 in December, 3.6 percent above the level of last December.
  - Average weekly earnings of these same production workers hit a peak $365.23 in December, 4.3 percent higher than the year-ago level.
  - The still strong economy boosted new business incorporations to a new high of 1,752 in December, a healthy 10.0 percent over last year.
  - The combination of factory finance incentives plus buyers rushing to take advantage of motor vehicle titling tax deductions on their 1986 income taxes, before a law change prohibiting these deductions in 1987, caused an outstanding fourth quarter for Virginia new auto registrations. December's 50,938 new vehicle registrations were a whopping 44.3 percent above December 1985. December is normally a slow month for car sales.
- While not breaking an all-time record, the total unemployment rate fell to 4.6 percent in December, the lowest seasonally adjusted rate in over seven years, since May 1979.
- Initial claims for unemployment insurance hit a seven-year low of 4,920 in November.
- Unemployment insurance final payments reached a twelve-year low of 1,649 in November.
- Average manhours worked has only surpassed the December level of 13,035,200 one other time in the past two years, and that was in January 1986.
- The valuation of building permits issued at $266.1 million in December was at the second highest level ever, being surpassed only one other time, by a level of $309.0 million last June.
- Calendar Year 1986 was a banner year for nonagricultural employment in Virginia with the annual average nonfarm level of 2,557,100 workers being 4.2 percent above the 1985 annual average. This meant an impressive 102,400 new jobs for Virginians were created last year. Seven of the major employing divisions--manufacturing, construction, transportation, trade, finance, services, and government--all were at never-before-attained employment levels.
- Virginia's mines were one of the few segments not doing well in 1986 as both coal production (down 5.0 percent to 42,061,000 short tons) and employment (down 5.2 percent to 16,400 workers on an annual average basis) fell.
- Personal income growth in Virginia continued to outpace the nation with a gain of 5.2 percent here compared to a 3.0 percent increase nationwide.
- Lower mortgage rates in 1986 caused a record 78,600 housing starts in Virginia compared to 1.83 million starts nationally. In 1985 there were 56,900 housing starts in Virginia and 1.74 million starts in the U. S. The Virginia over-the-year increase was 38.1 percent, well above the national gain of 5.2 percent.
- The Consumer Price Index for All Urban Consumers (CPI-U) showed an annual gain of only 1.9 percent in 1986 to average 328.4 (1967=100). This compared to a 3.6 percent rise in the CPI-U in 1985. Lower fuel prices and falling interest rates kept inflation moderate in 1986.

VIRGINIA ECONOMIC INDICATORS

VOL. XVIII, NO. 4 FOURTH QUARTER DATA

A Fairly Strong Fourth Quarter Finishes a Generally Good 1986 for Virginia

Virginia's economy turned in a fairly strong performance in the fourth quarter to finish out what has been a generally good year. Employment, production worker earnings, and the general business indicators have exhibited strong positive trends most all year. Only some of the unemployment claims-related indicators have been a little less positive in 1986, and this could be traced to slightly higher benefit payments resulting from a few more layoffs of a permanent nature than in 1985. The fourth quarter's performance would have been outstanding had not cutbacks in transportation equipment affected the manufacturing and the unemployment claims series late in the quarter. Even so, five series chalked up all-time highs in 1986's final quarter--nonfarm employment reached never-before-attained levels each month of the quarter, finishing the year at 2,613,400; average hourly earnings climbed to $8.98 in December; average weekly earnings rose to $365.23 in December; new business incorporations passed 1,752 in December; and new vehicle registrations first rose to 50,249 in October then swelled to 50,938 in December. While not an all-time record, total unemployment at 4.6 percent in December was at the lowest level in over seven years.

October was just barely the strongest month with 10 series up and five down. As has been the case in recent quarters, the mid-month was the weakest of the quarter with eight series up, six down, and one unchanged in November. December was stronger with nine series up, five down, and one unchanged; and all the records for the quarter were set in December.

The six-month moving average of the number of rising indicators (page 8) serves to illustrate the fourth quarter's good performance. The moving average enhances analysis because it smooths out much of the irregularity present in many of the individual series.

Five More All-Time Records Set in Fourth Quarter

Nonfarm employment, which has been very strong all year, continued to break new ground in the fourth quarter, setting records each month to finish the year at an all-time high of 2,613,400 seasonally adjusted. Record levels were being set in most major employing divisions in the waning months of 1986. Factory employment was on an upward trend until the final month of the year when fairly sizeable layoffs in transportation equipment caused an overall factory job loss of 0.3 percent.

The four unemployment-related indicators were generally positive until the impact of a major transportation equipment layoff was felt in December. The total unemployment rate was the strongest of these series, dropping throughout the quarter to 4.6 percent in December, the lowest level since May 1979. Still very strong trade and service sector employment was balancing out December's manufacturing job losses. These factory cuts, however, did cause negative December performances in the average weekly initial claims (up from a seven-year low of 4,920 in November to 6,473 in December) and in the insured unemployment rate (+0.1 percent to a still low 1.1 percent). Unemployment insurance final payments also lost ground in December after being at a twelve-year low of 1,649 in November, but this change reflected mainly the timing of some permanent layoffs earlier in the year in electronics and mining as these workers were now exhausting benefits in December.

The four production worker series were generally positive in the fourth quarter although some individual series did not quite measure up to the previous month's levels in October and November. Average weekly hours were off 0.1 hour in October before making gains in November and December to end the year at a fairly strong 40.6 hours. Average manhours worked were consistently positive in the fourth quarter, finishing the quarter at 13,035,200 in December, a level surpassed only one other time in the past two years, in January 1986. Average hourly earnings were off slightly in October and November, but bounced back to an all-time record of $8.98 in December. Average weekly earnings were also slightly off in October and November, but then finished the quarter at a record $365.23 in December.

The five business-related indicators were fairly strong in the fourth quarter except during the month of November. New business incorporations were off from September's pace in October and November, but then surpassed the previous all-time record of 1,620 set this past July by going on to a super strong 1,752 in December. The volatile valuation of building permits was up in October, off in November, then finished the year at a very strong $266.1 million in December. New vehicles registered in Virginia had set a record in September, but then spurred by factory financing incentives to clean up leftover 1986 models, soared to 50,249 in October. The incentives came off in November and sales fell by over 16,000. December registrations then climbed to set yet another new record of 50,938 as some incentives came back and buyers rushed to take advantage of new vehicle sales tax deductions before their elimination by the 1987 federal income tax reform. The use of more air conditioning than usual in October boosted power sales to a near-record level. A moderate late fall then reduced electric usage in November with practically no change reported for December. Taxable retail sales with the exception of a fairly good November were generally off in the fourth quarter. Apparently, record new vehicle sales (which are counted separately from retail sales in Virginia) were diverting money from other types of retailing.

William Mezger

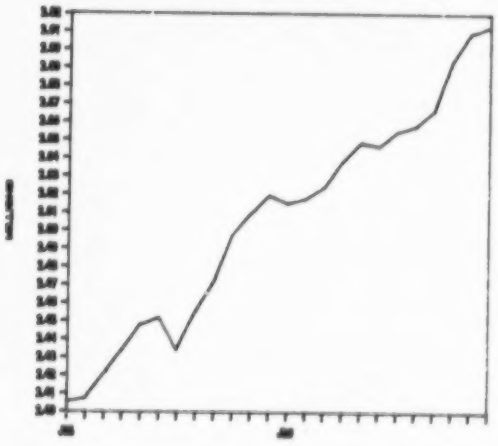
EMPLOYMENT AND UNEMPLOYMENT INDICATORS
January 1985 to December 1986

	Nonagricultural Wage & Salary Emp.* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	2,362.8	2,405.7	422.6	427.4	6.1	5.4
February	2,361.8	2,407.4	422.3	426.2	6.2	5.5
March	2,392.6	2,420.9	422.9	426.1	5.9	5.5
April	2,424.2	2,433.9	421.6	423.7	5.5	5.6
May	2,458.0	2,448.2	421.1	422.7	5.5	5.7
June	2,488.9	2,452.1	422.3	420.6	5.7	5.8
July	2,446.7	2,434.5	417.2	418.0	6.0	6.0
August	2,465.4	2,455.6	425.0	423.3	5.4	5.8
September	2,494.2	2,472.0	427.6	422.9	5.2	5.9
October	2,510.4	2,497.9	426.9	423.1	5.2	5.6
November	2,519.7	2,509.7	426.3	423.8	5.3	5.4
December	2,532.1	2,519.5	425.6	424.8	5.3	5.2
1986						
January	2,469.9	2,515.2	421.2	425.9	5.6	5.0
February	2,470.2	2,518.0	422.5	426.3	5.6	5.0
March	2,494.0	2,524.3	422.3	425.3	5.4	5.1
April	2,528.4	2,538.6	422.8	424.5	5.1	5.2
May	2,559.3	2,549.1	422.3	424.0	4.9	5.1
June	2,585.0	2,546.8	423.3	421.2	5.2	5.3
July	2,565.5	2,555.3	422.2	423.0	5.1	5.1
August	2,568.5	2,558.3	425.3	423.6	4.7	5.1
September	2,590.0	2,566.9	427.3	422.7	4.6	5.2
October	2,607.5	2,594.5	427.8	424.0	4.6	4.9
November	2,620.2	2,609.8	428.1	425.5	4.7	4.8
December	2,626.5	2,613.4	425.3	424.5	4.7	4.6

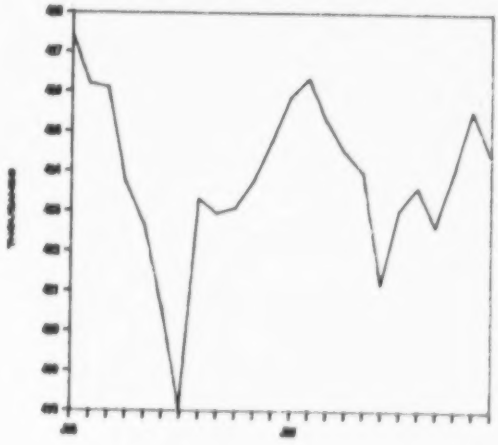
	Average Weekly Initial Claims (Number)		Avg. Wkly. Insured Unemployment Rate (Percent)		U. I. Final Payments (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	12,108	7,281	2.2	1.5	2,613	2,751
February	8,996	8,523	1.8	1.3	2,052	2,137
March	6,752	7,203	1.7	1.3	2,374	1,921
April	6,767	7,845	1.2	1.2	3,117	2,244
May	5,475	7,555	1.1	1.3	2,680	2,289
June	5,869	7,322	1.0	1.2	2,019	1,947
July	8,538	8,875	1.2	1.4	2,571	2,492
August	5,249	7,526	1.0	1.3	1,845	1,963
September	4,344	6,777	0.9	1.2	1,630	2,142
October	5,002	5,830	0.9	1.2	1,862	2,363
November	6,100	6,088	1.0	1.1	1,557	1,944
December	11,965	6,643	1.1	1.0	1,836	2,004
1986						
January	8,597	5,179	1.6	1.1	2,439	2,549
February	6,258	5,926	1.4	1.0	1,888	1,961
March	5,133	5,466	1.3	1.0	2,276	1,840
April	6,049	7,034	1.1	1.1	3,089	2,211
May	4,273	5,943	0.9	1.1	2,292	1,947
June	5,266	6,616	0.9	1.1	2,186	2,122
July	6,117	6,319	1.0	1.1	2,244	2,176
August	4,323	6,211	0.9	1.2	1,739	1,846
September	3,974	6,258	0.8	1.1	1,763	2,332
October	4,366	5,083	0.8	1.0	1,504	1,909
November	4,930	4,920	0.9	1.0	1,319	1,649
December	11,709	6,473	1.2	1.1	2,007	2,203

*These series have been adjusted to First Quarter 1986 benchmarks.

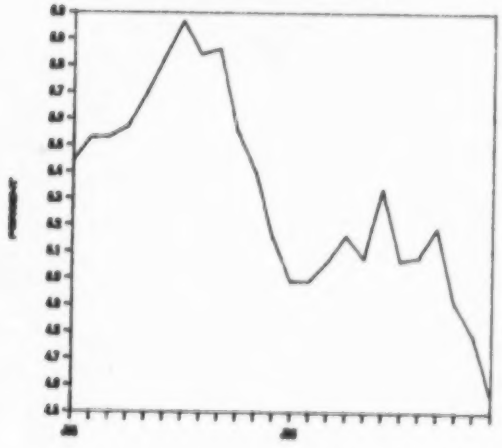
NONAG W & S EMPLOYMENT



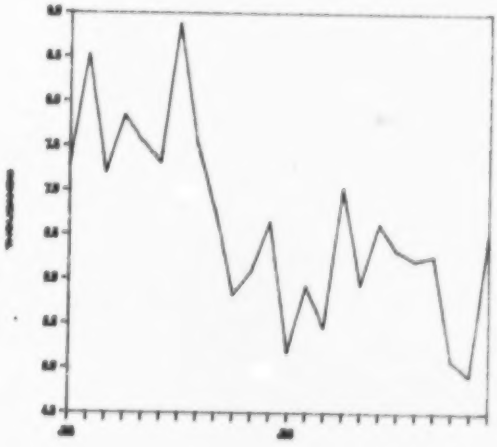
MANUFACTURING EMPLOYMENT



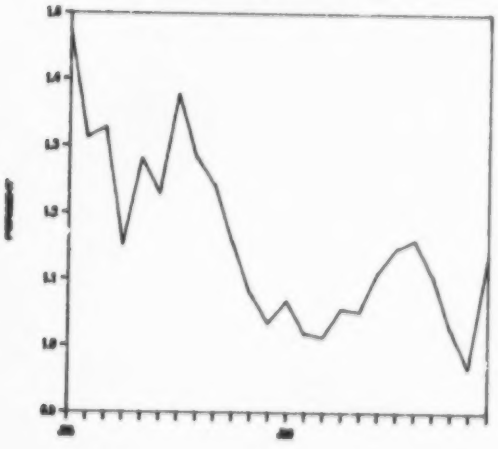
TOTAL UNEMPLOYMENT RATE



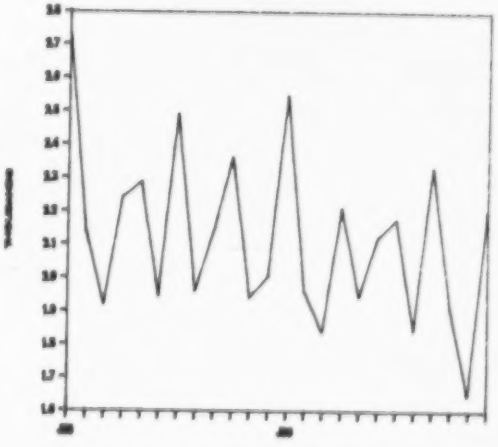
AVG. WEEKLY INITIAL CLAIMS



INSURED UNEMPLOYMENT RATE



U.I. FINAL PAYMENTS



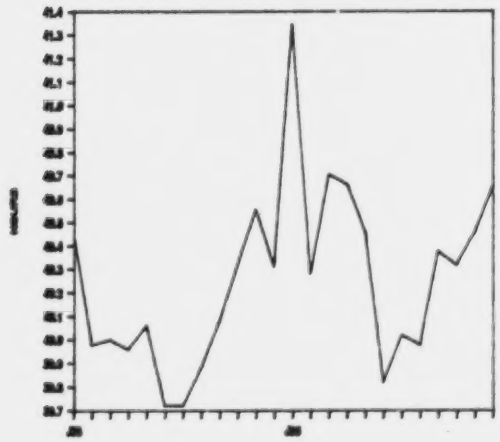
MANUFACTURING PRODUCTION WORKER INDICATORS
January 1985 to December 1986

	Average Weekly Hours* (Hours)		Average Manhours* (Thousands)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	39.7	40.4	12,624.1	12,947.8
February	39.3	40.0	12,441.0	12,773.1
March	39.6	40.0	12,546.8	12,776.8
April	39.6	40.0	12,510.7	12,701.2
May	40.1	40.1	12,626.6	12,690.1
June	40.2	39.7	12,747.1	12,546.4
July	39.6	39.7	12,319.2	12,393.6
August	40.0	39.9	12,683.2	12,620.1
September	40.4	40.1	12,943.3	12,689.5
October	40.4	40.3	12,931.4	12,778.1
November	41.0	40.5	13,078.4	12,822.0
December	41.0	40.3	13,073.6	12,842.4
1986				
January	40.6	41.3	12,867.4	13,210.9
February	39.6	40.3	12,604.7	12,941.2
March	40.3	40.7	12,753.6	12,987.4
April	40.3	40.7	12,780.8	12,962.3
May	40.5	40.5	12,824.6	12,876.1
June	40.3	39.8	12,786.4	12,585.0
July	39.9	40.0	12,644.2	12,707.7
August	40.1	40.0	12,836.3	12,772.4
September	40.7	40.4	13,093.3	12,836.6
October	40.4	40.3	13,025.7	12,871.2
November	40.9	40.5	13,219.5	12,973.0
December	41.3	40.6	13,269.8	13,035.2

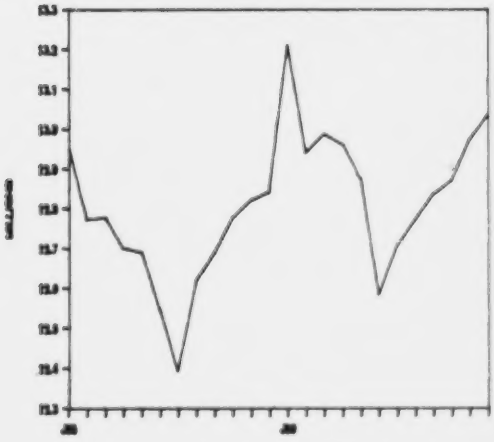
	Average Hourly Earnings* (Dollars)		Average Weekly Earnings* (Dollars)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	8.36	8.28	331.89	335.44
February	8.42	8.40	330.91	335.81
March	8.42	8.42	333.43	337.08
April	8.49	8.48	336.20	337.83
May	8.42	8.45	337.64	338.66
June	8.45	8.48	339.69	336.99
July	8.51	8.54	337.00	339.38
August	8.56	8.59	342.40	342.74
September	8.55	8.58	345.42	344.04
October	8.58	8.62	346.63	347.32
November	8.65	8.63	354.65	348.38
December	8.71	8.67	357.11	350.11
1986				
January	8.68	8.60	352.41	356.33
February	8.73	8.70	345.71	350.97
March	8.72	8.72	351.42	355.33
April	8.75	8.73	352.63	354.05
May	8.81	8.83	356.81	357.53
June	8.81	8.84	355.04	352.22
July	8.88	8.92	354.31	356.81
August	8.87	8.91	355.69	356.05
September	8.93	8.97	363.45	362.00
October	8.91	8.96	359.96	360.68
November	8.94	8.92	365.65	359.18
December	9.02	8.98	372.53	365.23

*These series have been adjusted to First Quarter 1986 benchmarks.

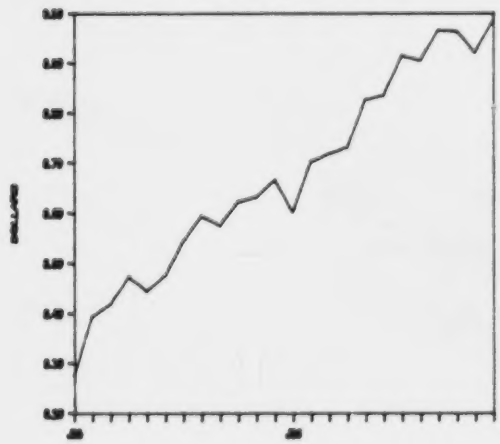
AVERAGE WEEKLY HOURS



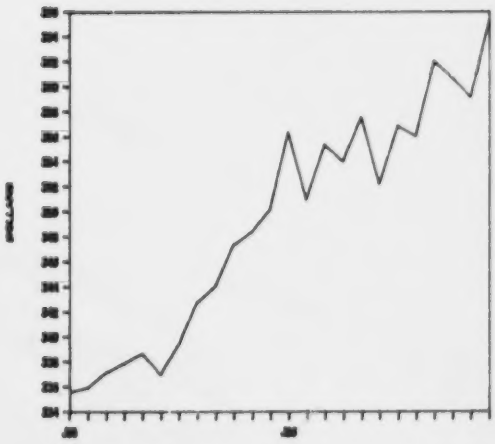
AVERAGE MANHOURS



AVERAGE HOURLY EARNINGS



AVERAGE WEEKLY EARNINGS

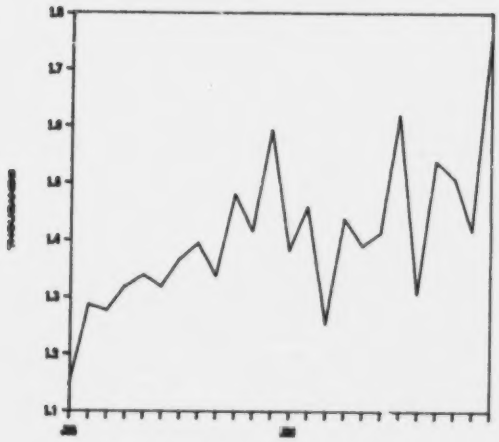


BUSINESS INDICATORS
January 1985 to December 1986

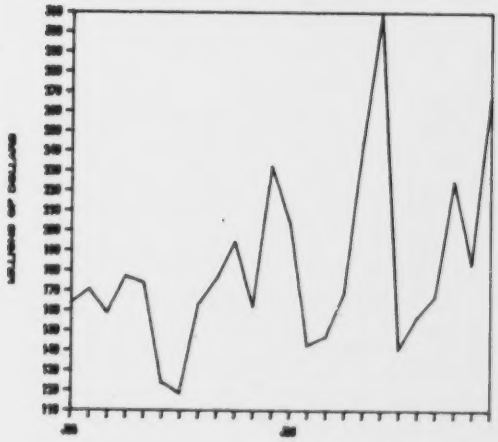
	New Business Incorporations (Number)		Valuation of Bldg. Permits ($ Millions)		New Vehicle Registrations (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	1,154	1,148	139.1	163.7	33,530	35,998
February	1,294	1,288	139.8	170.6	29,072	33,279
March	1,424	1,277	195.6	159.0	38,164	33,795
April	1,447	1,319	204.4	177.2	39,165	35,073
May	1,380	1,340	166.0	174.0	42,505	37,754
June	1,348	1,319	149.5	124.1	40,170	34,296
July	1,315	1,367	133.7	118.7	41,215	37,447
August	1,445	1,395	165.0	163.1	37,532	35,570
September	1,212	1,338	166.0	175.8	41,423	40,942
October	1,455	1,480	198.5	194.4	40,354	44,055
November	1,254	1,417	154.4	162.4	29,286	34,658
December	1,508	1,594	167.1	232.4	25,460	35,312
1986						
January	1,391	1,383	175.3	205.3	39,473	42,262
February	1,469	1,459	117.8	143.0	31,677	36,327
March	1,401	1,254	180.3	147.2	38,739	34,496
April	1,579	1,438	194.3	169.0	41,469	37,192
May	1,438	1,391	230.2	244.1	42,820	37,860
June	1,445	1,414	374.5	309.0	45,992	39,175
July	1,554	1,620	159.8	140.9	43,297	39,325
August	1,358	1,307	160.0	157.0	40,420	38,349
September	1,387	1,539	157.0	167.4	49,358	48,869
October	1,483	1,510	230.7	225.1	45,978	50,249
November	1,255	1,418	173.2	183.7	28,768	34,085
December	1,656	1,752	190.0	266.1	36,777	50,938

	Electrical Power Sales (Mil. of KWH)		Taxable Retail Sales ($ Millions)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	3,594.5	3,040.7	2,247.3	2,445.9
February	3,835.0	3,472.8	2,311.6	2,661.8
March	3,186.8	3,193.3	2,599.4	2,817.3
April	2,959.2	3,188.4	2,720.0	2,765.7
May	2,753.3	3,264.7	2,894.6	2,718.2
June	3,059.5	3,232.8	2,739.5	2,764.0
July	3,400.3	3,166.2	2,797.3	2,794.0
August	3,563.5	3,199.0	3,133.0	3,205.5
September	3,626.9	3,378.7	2,750.8	2,741.2
October	2,892.8	3,328.9	3,027.4	2,991.5
November	2,769.9	3,202.2	3,031.9	2,998.9
December	3,403.8	3,407.2	3,214.4	2,579.8
1986				
January	4,062.3	3,439.7	2,144.1	2,333.1
February	3,851.7	3,492.0	2,942.0	3,397.2
March	3,654.2	3,665.2	2,958.5	3,208.8
April	3,083.0	3,315.1	2,826.4	2,872.4
May	2,918.1	3,453.4	3,482.3	3,263.6
June	3,460.5	3,654.2	3,161.5	3,193.4
July	4,065.7	3,789.1	2,993.0	2,990.0
August	4,078.7	3,658.0	3,291.6	3,369.1
September	3,386.8	3,153.4	3,028.5	3,022.5
October	3,286.4	3,781.8	3,787.4	2,748.9
November	3,198.7	3,702.2	3,349.7	3,313.3
December	3,688.6	3,703.4	3,582.1	2,870.3

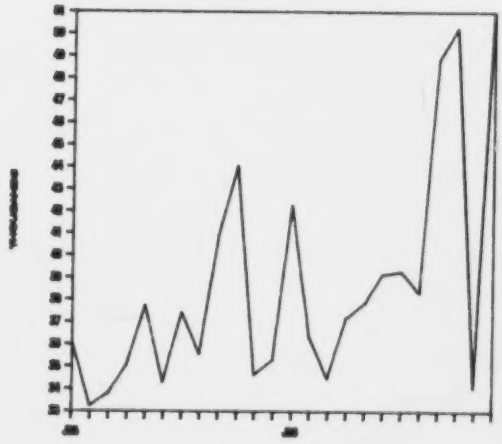
NEW BUSINESS INCORPORATIONS



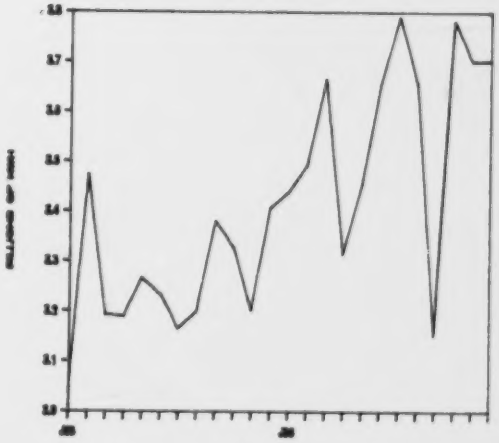
VALUATION OF BUILDING PERMITS



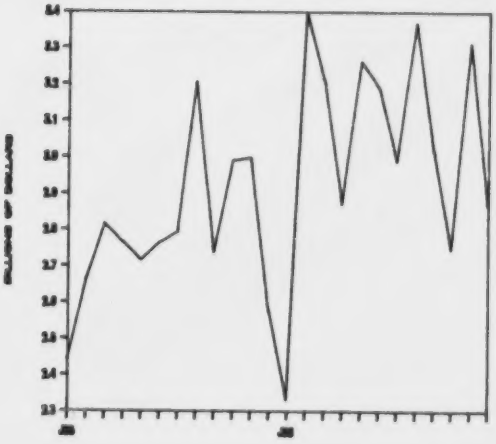
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



TAXABLE RETAIL SALES

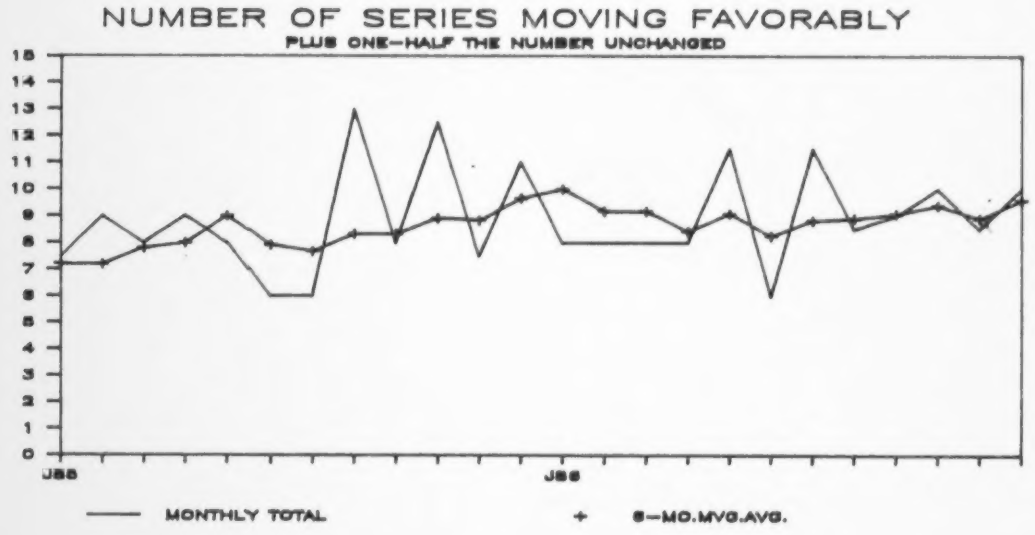


DATA SUMMARY DECEMBER 1986 (SEASONALLY ADJUSTED DATA)	Dec. 1986	Nov. 1986	Dec. 1985	Percent & (Direction) of Change 1/ Nov. '86- Dec. '86	 Dec. '85- Dec. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,613.4	2,609.8	2,519.5	+ 0.1 (+)	+ 3.7 (+)
*Manufacturing Employment (000)	424.5	425.5	424.8	- 0.3 (-)	- 0.1 (-)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.6	4.8	5.2	xxx (+)	xxx (+)
Average Weekly Initial Claims	6,473	4,920	6,643	+31.6 (-)	- 2.6 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	1.0	1.0	xxx (-)	xxx (-)
Unemployment Insurance Final Payments	2,203	1,649	2,004	+33.6 (-)	+ 9.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.6	40.5	40.3	+ 0.5 (+)	+ 0.8 (+)
*Average Manhours (000)	13,035.2	12,973.0	12,842.4	+ 0.5 (+)	+ 1.5 (+)
*Average Hourly Earnings ($)	8.98	8.92	8.67	+ 0.7 (+)	+ 3.7 (+)
*Average Weekly Earnings ($)	365.23	359.18	350.11	+ 1.7 (+)	+ 4.3 (+)
BUSINESS					
New Business Incorporations	1,752	1,418	1,594	+23.6 (+)	+ 9.9 (+)
Valuation of Building Permits - 18 Cities ($M)	266.1	183.7	232.4	+44.9 (+)	+14.5 (+)
New Vehicle Registrations	50,938	34,085	35,312	+49.4 (+)	+44.3 (+)
Electrical Power Sales (M of KWH)	3,703.4	3,702.2	3,407.2	0.0 (0)	+ 8.7 (+)
Taxable Retail Sales ($M)	2,870.3	3,313.3	2,579.8	-13.4 (-)	+11.3 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1986 benchmarks

SUMMARY



DATA SUMMARY NOVEMBER 1986 (SEASONALLY ADJUSTED DATA)	Nov. 1986	Oct. 1986	Nov. 1985	Percent & (Direction) of Change 1/ Oct. '86- Nov. '86	 Nov. '85- Nov. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,609.8	2,594.5	2,509.7	+ 0.6 (+)	+ 4.0 (+)
*Manufacturing Employment (000)	425.5	424.0	423.8	+ 0.4 (+)	+ 0.4 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.8	4.9	5.4	xxx (+)	xxx (+)
Average Weekly Initial Claims	4,920	5,083	6,088	- 3.2 (+)	-19.2 (+)
Average Weekly Insured Unemployment Rate (%)	1.0	1.0	1.1	xxx (0)	xxx (+)
Unemployment Insurance Final Payments	1,649	1,909	1,944	-13.6 (+)	-15.2 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.5	40.3	40.6	+ 0.3 (+)	- 0.2 (-)
*Average Manhours (000)	12,973.0	12,871.2	12,822.0	+ 0.8 (+)	+ 1.2 (+)
*Average Hourly Earnings ($)	8.92	8.96	8.63	- 0.5 (-)	+ 3.4 (+)
*Average Weekly Earnings ($)	359.18	360.68	348.38	- 0.4 (-)	+ 3.1 (+)
BUSINESS					
New Business Incorporations	1,418	1,510	1,417	- 6.1 (-)	+ 0.1 (+)
Valuation of Building Permits - 18 Cities ($M)	183.7	225.1	162.4	-18.4 (-)	+13.1 (+)
New Vehicle Registrations	34,085	50,249	34,658	-32.2 (-)	- 1.7 (-)
Electrical Power Sales (M of KWH)	3,702.2	3,781.8	3,202.2	- 2.1 (-)	+15.6 (+)
Taxable Retail Sales ($M)	3,313.3	2,748.9	2,998.9	+20.5 (+)	+10.5 (+)

DATA SUMMARY OCTOBER 1986 (SEASONALLY ADJUSTED DATA)	Oct. 1986	Sept. 1986	Oct. 1985	Percent & (Direction) of Change 1/ Sept. '86- Oct. '86	 Oct. '85- Oct. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,594.5	2,566.9	2,497.9	+ 1.1 (+)	+ 3.9 (+)
*Manufacturing Employment (000)	424.0	422.7	423.1	+ 0.3 (+)	+ 0.2 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.9	5.2	5.6	xxx (+)	xxx (+)
Average Weekly Initial Claims	5,083	6,258	5,830	-18.8 (+)	-12.8 (+)
Average Weekly Insured Unemployment Rate (%)	1.0	1.1	1.2	xxx (+)	xxx (+)
Unemployment Insurance Final Payments	1,909	2,332	2,363	-18.2 (+)	-19.2 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.3	40.4	40.3	- 0.1 (-)	0.0 (0)
*Average Manhours (000)	12,871.2	12,836.6	12,778.1	+ 0.3 (+)	+ 0.7 (+)
*Average Hourly Earnings ($)	8.96	8.97	8.62	- 0.1 (-)	+ 4.0 (+)
*Average Weekly Earnings ($)	360.68	362.00	347.32	- 0.4 (-)	+ 3.8 (+)
BUSINESS					
New Business Incorporations	1,510	1,539	1,480	- 1.9 (-)	+ 2.0 (+)
Valuation of Building Permits - 18 Cities ($M)	225.1	167.4	194.4	+34.5 (+)	+15.8 (+)
New Vehicle Registrations	50,249	48,869	44,055	+ 2.8 (+)	+14.1 (+)
Electrical Power Sales (M of KWH)	3,781.8	3,153.4	3,328.9	+19.9 (+)	+13.6 (+)
Taxable Retail Sales ($M)	2,748.9	3,022.5	2,991.5	- 9.1 (-)	- 8.1 (-)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1986 benchmarks

THE VIRGINIA LEADING AND COINCIDENT INDEXES

1985	Leading Index (1977=100)	Monthly Percent Change	Quarterly Percent Change	Coincident Index (1977=100)	Monthly Percent Change	Quarterly Percent Change
January	134.7	+0.3	-	124.7	0.0	-
February	135.2	+0.4	+0.4	124.8	+0.1	+0.8
March	135.9	+0.5	-	125.6	+0.6	-
April	136.5	+0.5	-	126.2	+0.5	-
May	137.5	+0.7	+1.5	126.8	+0.4	+1.2
June	137.8	+0.2	-	127.0	+0.2	-
July	137.9	+0.1	-	127.0	0.0	-
August	138.4	+0.4	+1.0	128.8	+1.4	+1.2
September	139.3	+0.6	-	129.4	+0.4	-
October	141.4	+1.5	-	130.8	+1.1	-
November	142.8	+1.0	+3.4	131.9	+0.8	+2.6
December	145.4	+1.8	-	132.1	+0.2	-
Avg. Change	-	+0.7	+1.6	-	+0.5	+1.5
1986						
January	147.5	+1.5	-	130.6	-1.2	-
February	148.0	+0.3	+3.4	131.3	+0.6	0.0
March	148.8	+0.5	-	132.8	+1.1	-
April	148.0	-0.5	-	133.2	+0.3	-
May	149.0	+0.6	+0.2	134.5	+1.0	+2.1
June	148.0	-0.7	-	135.5	+0.8	-
July	148.7	+0.5	-	136.9	+1.0	-
August	148.2	-0.3	+0.3	136.7	-0.1	+1.8
September	149.4	+0.8	-	136.9	+0.1	-
October	150.9	+1.0	-	138.1	+0.9	-
November	151.7	+0.5	+2.1	139.1	+0.7	+1.3
December	153.2	+1.0	-	138.4	-0.5	-
Avg. Change	-	+0.4	+1.5	-	+0.4	+1.3

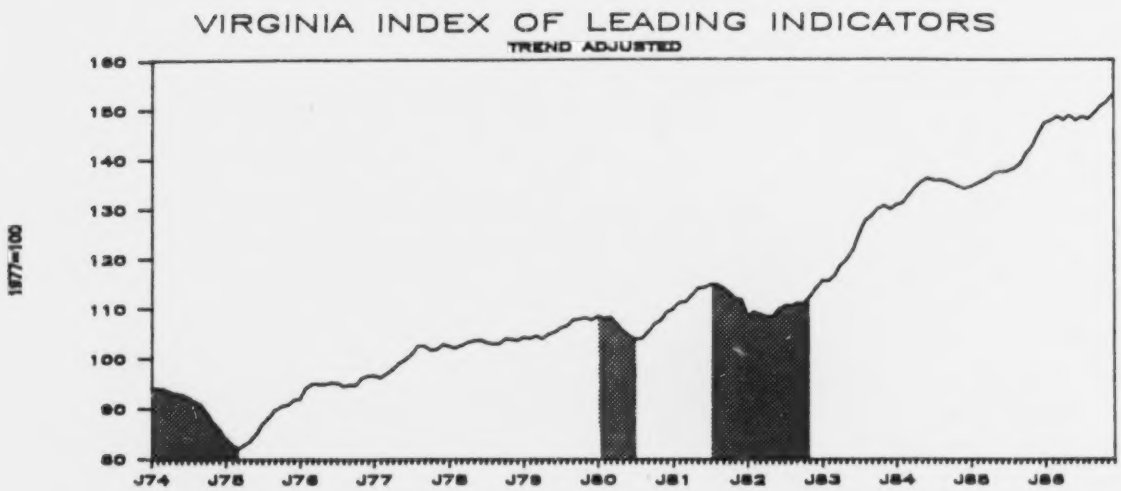
Both the leading index and the coincident index for Virginia showed gains during the Fourth Quarter 1986. The leading index posted gains each month of the quarter while the coincident index gained in October and November but dropped in December as the downtrend in retail sales, 1982 dollars, outweighed the combined increases in the other components. The performances of the indexes indicated that the Virginia economy is still healthy, and the 2.1 percent rise from the third quarter in the leading index points to a possible pickup in economic activity in the months ahead.

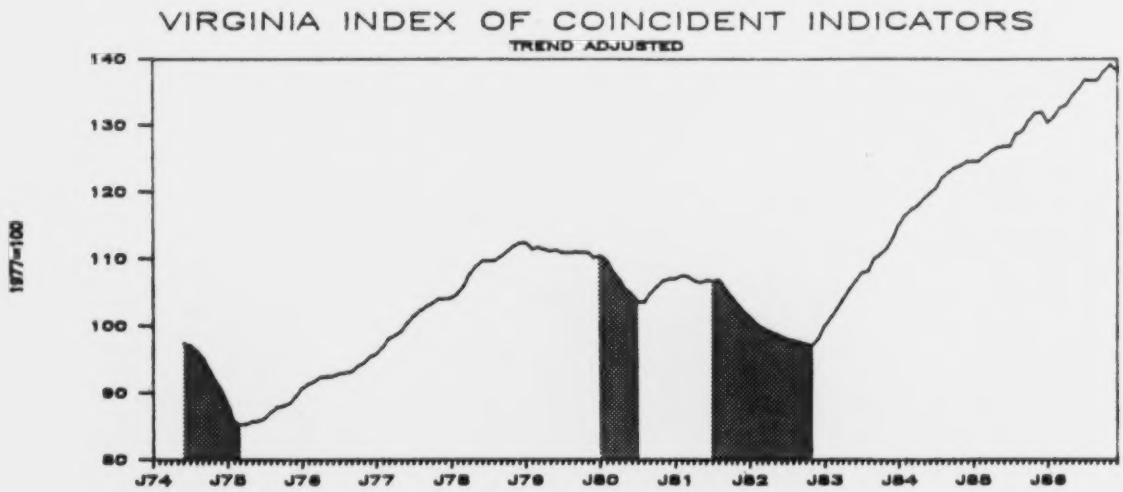
A disaggregation of the indexes shows the relative strength of various components during the quarter. Of the leading index components, hours worked by manufacturing production workers as measured by the five-month moving average showed a steady improvement from October through December after dropping off the previous two quarters. The rebound may point to a resurgence of manufacturing in Virginia following the decline of the dollar and the increase in import prices. The number of new businesses chartered in Virginia showed a steady upward trend through the quarter while building permits in 1982 dollars hit a peak for 1986 in October and slowed in November and December. The December level, as measured by a six-month moving average, was nearly 6 percent above the December 1985 level, however. Despite forecasts of a slowdown in housing starts in 1987, our building permit data from 18 cities around the state indicate no slackening in this broader measure of construction activity for Virginia. The final component of the leading index, initial claims for unemployment insurance, dropped in October and November and showed a small increase in December. Layoff activity as measured by a three-month moving average of initial claims was 12 percent below the Fourth Quarter 1985 level.

Three components of the coincident index showed a consistently strong performance throughout the fourth quarter, but one, retail trade sales in 1967 dollars, as measured by a six-month moving average, declined during all of the three months. It is difficult to assess December retail sales since much of the data was collected later than usual and will be reflected in the January 1987 total. Because of the difficulty in identifying December data, it is possible that Christmas sales were stronger than the data shows. Nevertheless, fourth quarter sales in general were off due to a number of factors such as: consumers opting for automobile purchases, not reflected in our retail figures, in order to get the sales tax deduction, which has been eliminated for 1987 income taxes; the lack of discount sales in retail stores; rising consumer installment debt; and slowing disposable personal income. Reduced W-4 withholding could act as a stimulus to retail sales during the first half of 1987. Of the three advancing components of the index, personal income, less transfer payments (1982 dollars) showed a 7.3 percent increase on an annualized basis during the fourth quarter. Nonagricultural employment growth and the industrial production index in Virginia continued to outpace the rest of the nation.

The national leading and coincident indexes increased by 2.1 percent and 0.5 percent, respectively, from the Third Quarter to the Fourth Quarter 1986.

Alex Valz


VIRGINIA INDEX OF LEADING INDICATORS
TREND ADJUSTED
1977=100
160
150
140
130
120
110
100
90
80
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86


VIRGINIA INDEX OF COINCIDENT INDICATORS
TREND ADJUSTED
1977=100
140
130
120
110
100
90
80
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86

A REVIEW OF NONAGRICULTURAL EMPLOYMENT'S PERFORMANCE IN VIRGINIA IN 1986 AND SUMMARY EMPLOYMENT FORECASTS FOR 1987, 1988, AND 1989

1986 in Review

Nonagricultural wage and salary employment, one of the 15 series used regularly in this publication to measure the Virginia economy, is annually revised to new benchmarks (unemployment compensation employer tax records) in the first quarter of the calendar year. The accompanying table on page 13 shows a comparison of revised 1986 nonfarm annual averages on the new benchmark basis to the 1985 nonfarm averages. The benchmark revisions show nonagricultural employment in 1986 grew by 4.2 percent or an impressive 102,400 increase in the number of new jobs for Virginians. This was even faster than preliminary estimates which showed a 3.9 percent growth rate, attesting to the robust health of the Virginia economy. By contrast, the U. S. nonfarm sector grew by only 2.6 percent in 1986.

Seven of the eight major employing divisions--manufacturing, construction, transportation, trade, finance, services, and government--reached never-before-attained high levels at some point during 1986. All divisions but mining had annual averages for 1986 that were above all previous recorded annual averages. Of the major divisions, construction employment showed the largest percentage increase over last year, being up 10.6 percent. Mortgage rates falling to the lowest level in eight years unleashed a pent-up demand for housing. This housing boom also affected finance, boosting that division by 6.5 percent as mortgage companies were kept busy processing new home loans and realtors were putting on additional sales forces. Rapid expansions in business and computer services, personal services, health care, and tourism increased the service division employment level by 6.3 percent. In the actual number of new jobs created, this division was the State's fastest grower with a gain of 34,300 positions. Good business conditions all year caused wholesale and retail trade to increase 6.1 percent, for the second largest numerical job expansion of 33,200. Holiday sales at the end of the year pushed trade employment over the 600,000 mark for the first time ever in November 1986. Rapid airline staff expansions, particularly at Northern Virginia's two hub airports, along with steady growth in trucking, communications, and utilities, upped transportation division employment by 4.0 percent. Government employment in Virginia was 1.0 percent higher last year as small losses in the federal sector, after several years of gain, partially offset increases in the state and local education sectors.

Overall the factory employment division averaged 0.2 percent higher employment levels in 1986 as the pressures on manufacturers from cheap foreign imports began to lessen with the decline in the value of the U. S. dollar. Among the individual factory segments, chief beneficiaries of the weaker dollar seemed to be instruments (+9.8 percent), chemicals (+1.6 percent), and textiles (+1.4 percent), especially in knit textile goods. The housing boom was also causing strong growth in stone-clay-glass (+6.3 percent), lumber (+4.4 percent), and furniture (+3.3 percent). Printing and publishing continued to grow with a 4.7 percent gain. Virginia's largest factory sector, transportation equipment at 44,500 still managed to register a 1.8 percent job gain for 1986 in spite of shipbuilding layoffs late in the year. Food and kindred products registered an overall employment increase of 1.3 percent. Several factory segments reported losses in 1986. Still being adversely affected by imports were leather products (-17.9 percent), miscellaneous manufacturing (-6.1 percent), machinery (-2.5 percent), petroleum-rubber-plastics (-2.2 percent), paper (-1.9 percent), apparel (-1.6 percent), primary metals (-0.9 percent), and fabricated metals (-0.3 percent). Several plant closings by a major employer lowered electrical equipment (-6.1 percent). Tobacco manufacturing continued to decline in 1986 by 7.9 percent, but this loss was largely due to a plant closing at the end of 1985. Mining, the only major employment division to experience a loss in 1986, was down 5.2 percent to 16,400 as that industry continued to suffer from the weak market for coal.

Summary Forecasts for 1987, 1988, and 1989

The latest forecast from Chase Econometrics for Virginia projects a slow down in the expansion of nonagricultural employment after 1986. Growth will likely be slightly slower because of an aging labor force, less pent-up demand for construction, and the impact of federal budget balancing on defense. The tax reform package also should have a slightly negative overall impact on the State's economy in both 1987 and 1988.

Nonagricultural employment is forecast to grow 2.9 percent in 1987 and 2.4 percent in both 1988 and 1989. The service division is projected to be the fastest grower throughout the period with gains of 5.5 percent in 1987, 4.2 percent in 1988, and 3.9 percent in 1989. By 1988, services at an annual average employment of over 622,000 should replace trade as the State's largest employing division. The second most rapid rate of expansion will be in the financial division with gains of 4.5 percent in 1987, 3.8 percent in 1988, and 3.4 percent in 1989. Trade, Virginia's second largest employing division, should grow 4.4 percent in 1987 and 3.4 percent in both 1988 and 1989. Modest gains are projected for the transportation and government divisions of less than 3.0 percent each in 1987 and less than 2.0 percent each in 1988 and 1989. Virginia's manufacturers should be reaping the benefits from the weaker dollar with gains of 1.3 percent in employment in each of the three forecast years.

Construction employment, after peaking in 1986, will decline by a small amount each year (-2.6 percent in 1987, -2.1 percent in 1988, and -1.2 percent in 1989), but will still remain at a level higher than in any year prior to 1986. The beleaguered mining industry is forecast to experience a further small employment reduction in 1987 (-0.6 percent) before stabilizing in 1988 and 1989.

Virginia's nonfarm employment should experience stability coupled with modest growth for the next three years.

William Mezger

EMPLOYMENT IN NONAGRICULTURAL INDUSTRIES IN VIRGINIA
ANNUAL AVERAGES (In Thousands)
Revised to First Quarter 1986 Benchmarks

	1986	1985	Change 1985-1986	% Change 1985-1986
TOTAL NONAGRICULTURAL	2,557.1	2,454.7	+102.4	+ 4.2
MANUFACTURING	424.2	423.4	+ 0.8	+ 0.2
Durable Goods	201.1	201.1	0.0	0.0
Lumber & Wood Products	23.9	22.9	+ 1.0	+ 4.4
Furniture & Fixtures	24.9	24.1	+ 0.8	+ 3.3
Stone, Clay, & Glass Products	15.3	14.4	+ 0.9	+ 6.3
Primary Metal Industries	10.7	10.8	- 0.1	- 0.9
Fabricated Metal Products	18.7	19.3	- 0.6	- 0.3
Machinery (except Electrical)	15.4	15.8	- 0.4	- 2.5
Electric & Electronic Equipment	40.0	42.6	- 2.6	- 6.1
Transportation Equipment	44.5	43.7	+ 0.8	+ 1.8
Instruments & Related Products	4.5	4.1	+ 0.4	+ 9.8
Misc. Manufacturing Industries	3.1	3.3	- 0.2	- 6.1
Nondurable Goods	223.1	222.4	+ 0.7	+ 0.3
Food & Kindred Products	38.9	38.4	+ 0.5	+ 1.3
Tobacco Manufactures	14.0	15.2	- 1.2	- 7.9
Textile Mill Products	42.6	42.0	+ 0.6	+ 1.4
Apparel & Other Textile Products	30.2	30.7	- 0.5	- 1.6
Paper	15.5	15.8	- 0.3	- 1.9
Printing & Publishing	31.3	29.9	+ 1.4	+ 4.7
Chemicals & Allied Products	32.6	32.1	+ 0.5	+ 1.6
Petroleum, Rubber & Misc. Plastics Products	17.5	17.9	- 0.4	- 2.2
Leather & Leather Products	2.3	2.8	- 0.5	-17.9
MINING	16.4	17.3	- 0.9	- 5.2
CONSTRUCTION	168.1	152.0	+ 16.1	+10.6
TRANSPORTATION & PUBLIC UTILITIES	137.3	132.0	+ 5.3	+ 4.0
Railroad Transportation	11.5	12.1	- 0.6	- 5.0
Trucking & Warehousing	31.8	30.4	+ 1.4	+ 4.6
Transportation by Air	18.8	16.5	+ 2.3	+13.9
Communication	39.7	38.5	+ 1.2	+ 3.1
Electric, Gas, & Sanitary Service	20.4	19.6	+ 0.8	+ 4.1
WHOLESALE & RETAIL TRADE	580.2	547.0	+ 33.2	+ 6.1
Wholesale Trade	122.4	117.3	+ 5.1	+ 4.3
Retail Trade	457.8	429.8	+ 28.0	+ 6.5
FINANCE, INSURANCE, & REAL ESTATE	130.8	122.8	+ 8.0	+ 6.5
Banking	35.1	33.5	+ 1.6	+ 4.8
Insurance Carriers	23.2	22.1	+ 1.1	+ 5.0
Real Estate	32.3	31.0	+ 1.3	+ 4.2
SERVICES	579.0	544.7	+ 34.3	+ 6.3
Personnel Services	31.3	29.7	+ 16.0	+ 5.4
Business Services	150.0	138.3	+ 11.7	+ 8.5
Health Services	132.5	126.9	+ 5.6	+ 4.4
GOVERNMENT	521.0	515.6	+ 5.4	+ 1.0
Federal Government	168.0	168.1	- 0.1	- 0.1
State & Local Government	353.0	347.5	+ 5.5	+ 1.6

HISTORICAL SUMMARY

Performance of Indicators Over the Business Cycle

GENERAL INFORMATION

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

BUSINESS CYCLE TURNING POINTS

The shaded spaces on the charts represent the 1973-75, 1980, and 1981-82 recessions as designated by the National Bureau of Economic Research (NBER). The beginning of a recession is defined as the month when aggregate economic activity in the U. S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. According to NBER, the 1973-75 recession began in November 1973 and ended in March 1975, the 1980 recession began in January 1980 and ended in July 1980, and the 1981-82 recession began in July 1981 and ended in November 1982.

SEASONAL ADJUSTMENT

To correlate changes in a time series and changes in the business cycle it is desirable

SEASONAL ADJUSTMENT (continued)

to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in Indicators have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

MONTHS FOR CYCLICAL DOMINANCE (MCD)

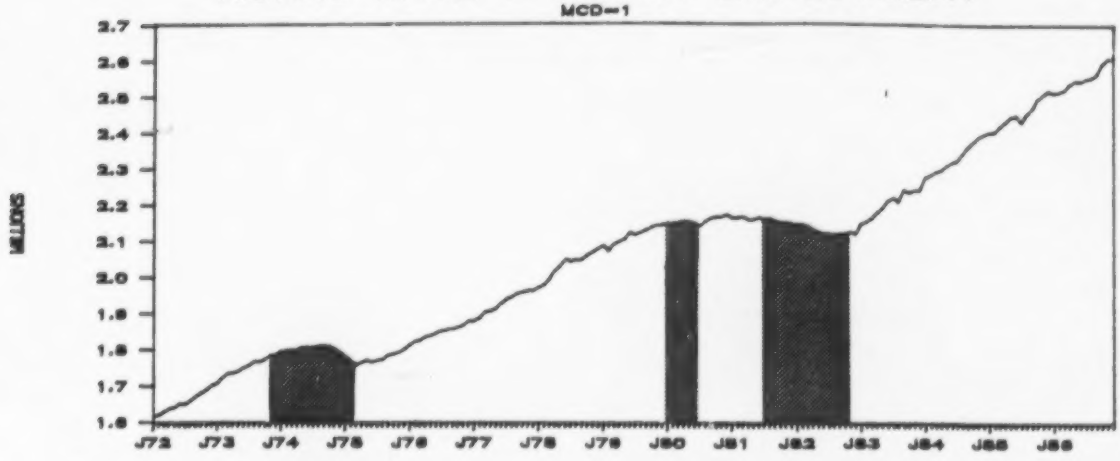
After seasonal adjustment there often remains a significant degree of purely random change, the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data--the greater the MCD the more random and less cyclically significant are monthly changes in the series. Where noted, charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

DATA SOURCES

Nonagricultural Wage and Salary Employment	Virginia Employment Commission (VEC)
Manufacturing Employment	VEC
Total Unemployment Rate	VEC
Average Weekly Initial Claims	VEC
Insured Unemployment Rate	VEC
Unemployment Insurance Final Payments	VEC
Average Manhours	VEC
Average Hourly Earnings	VEC
Average Weekly Earnings	VEC
Average Workweek	VEC
New Business Incorporations	Virginia State Corporation Commission
Valuation of Building Permits - 18 Cities	Local Building Inspectors
New Vehicle Registrations	Virginia State Division of Motor Vehicles
Electrical Power Sales	Virginia Power, Appalachian Power Co., Delmarva Electric Co., Tennessee Power Company
Taxable Retail Sales	Virginia State Department of Taxation
Taxable Retail Sales/CPI	Virginia State Department of Taxation

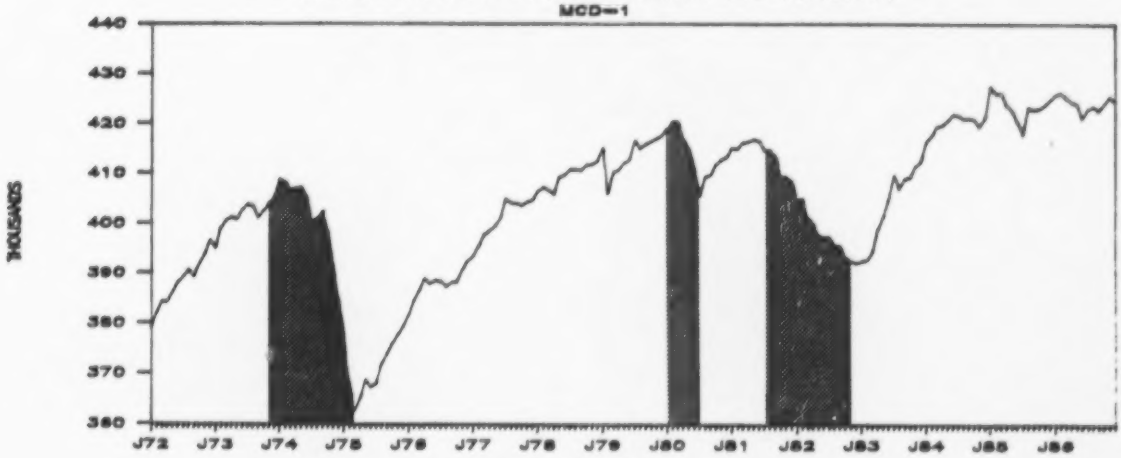
NONAG WAGE & SALARY EMPLOYMENT

MCD=1



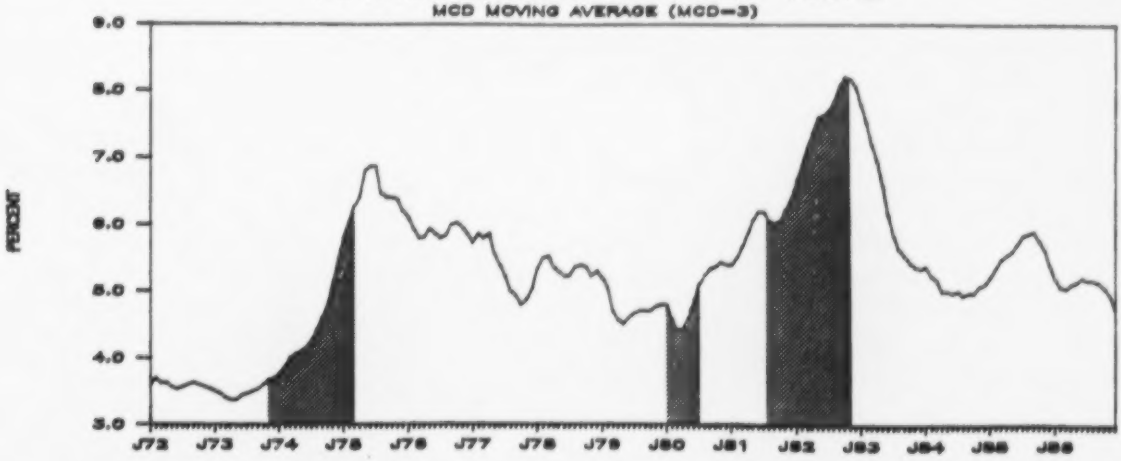
MANUFACTURING EMPLOYMENT

MCD=1



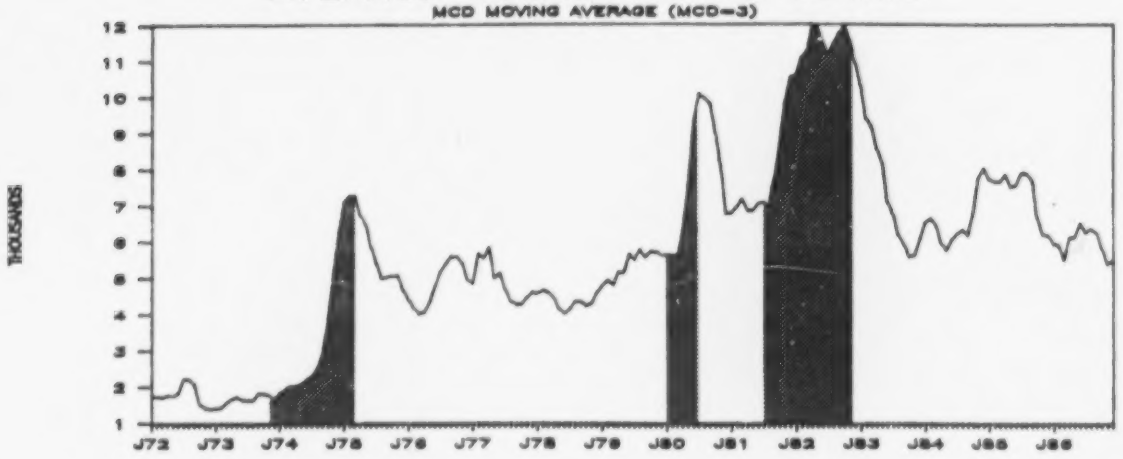
TOTAL UNEMPLOYMENT RATE

MCD MOVING AVERAGE (MCD=3)



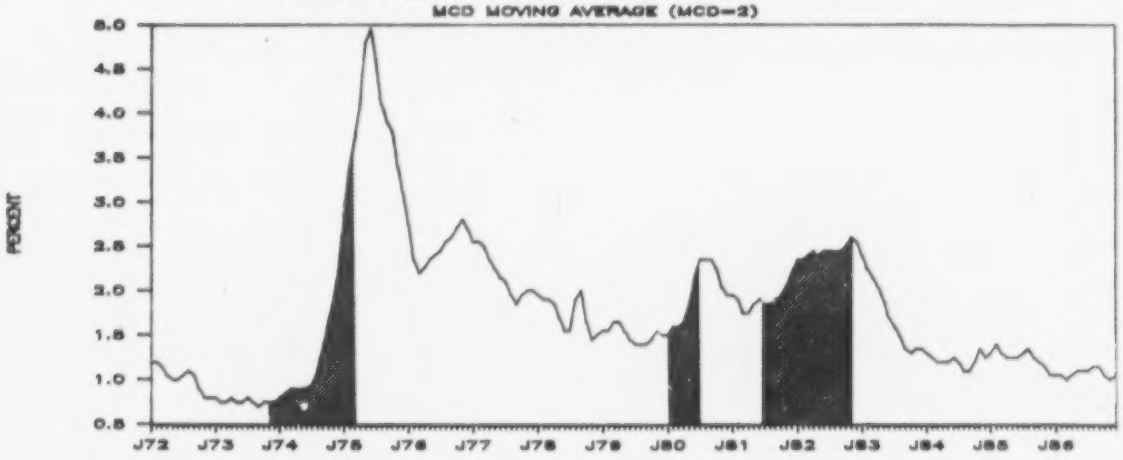
AVERAGE WEEKLY INITIAL CLAIMS

MCD MOVING AVERAGE (MCD=3)



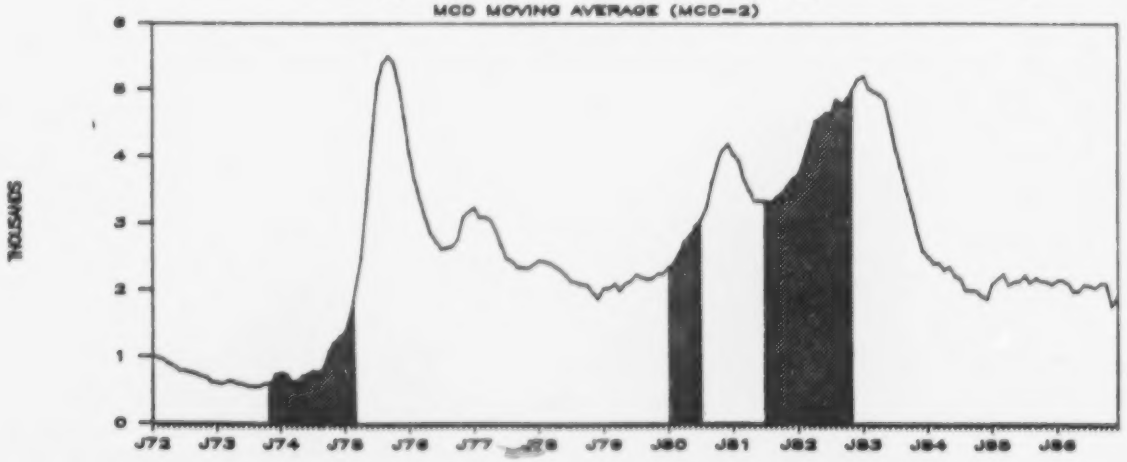
INSURED UNEMPLOYMENT RATE

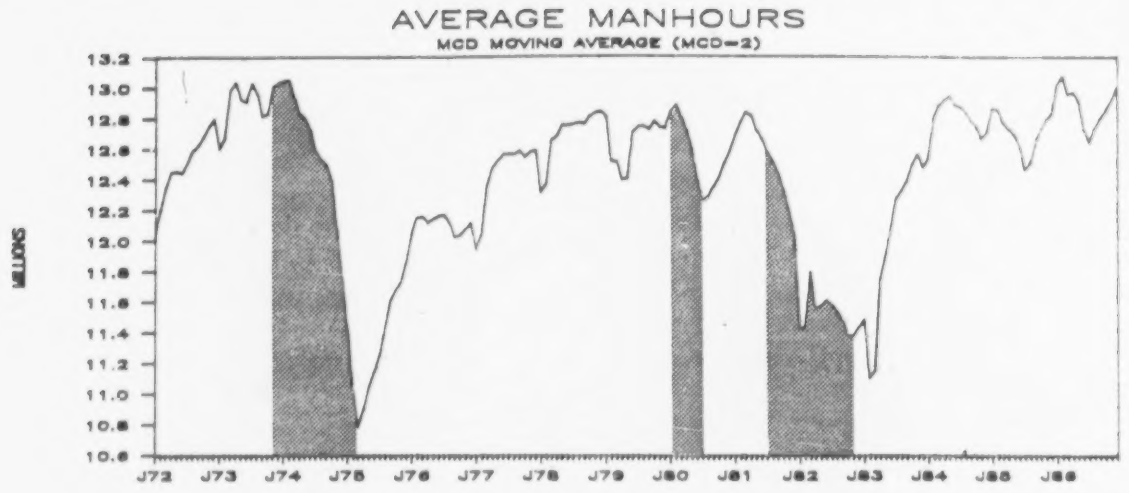
MCD MOVING AVERAGE (MCD=2)

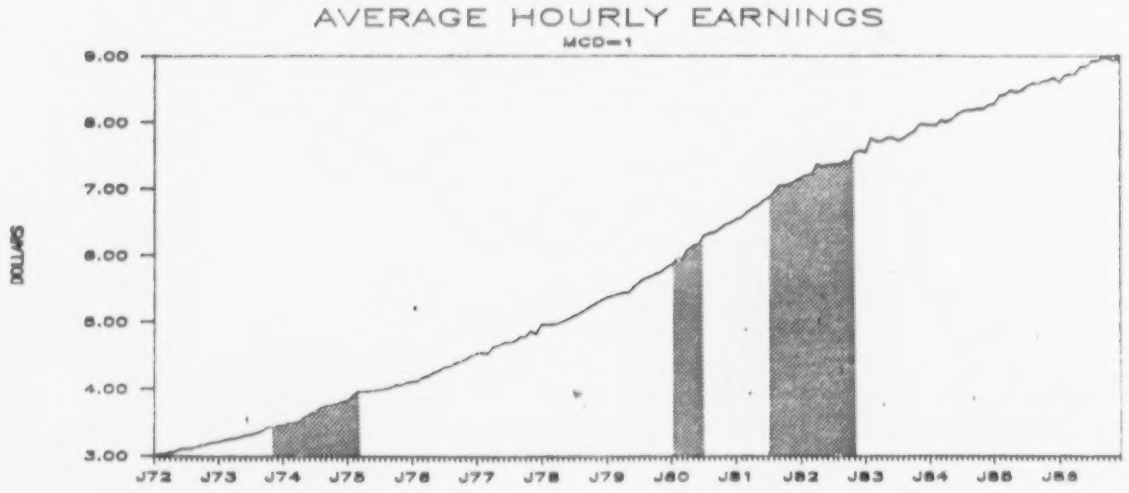


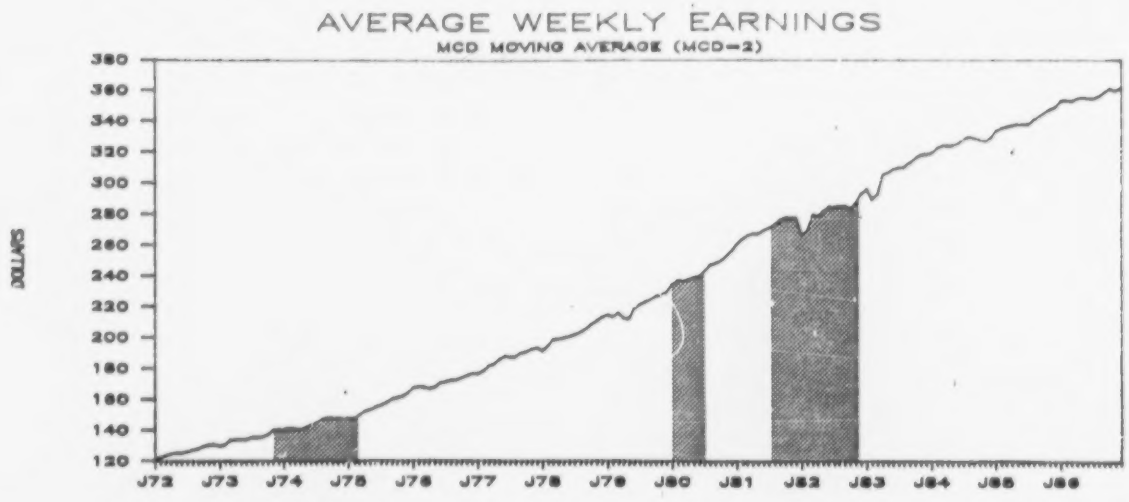
U. I. FINAL PAYMENTS

MCD MOVING AVERAGE (MCD=2)



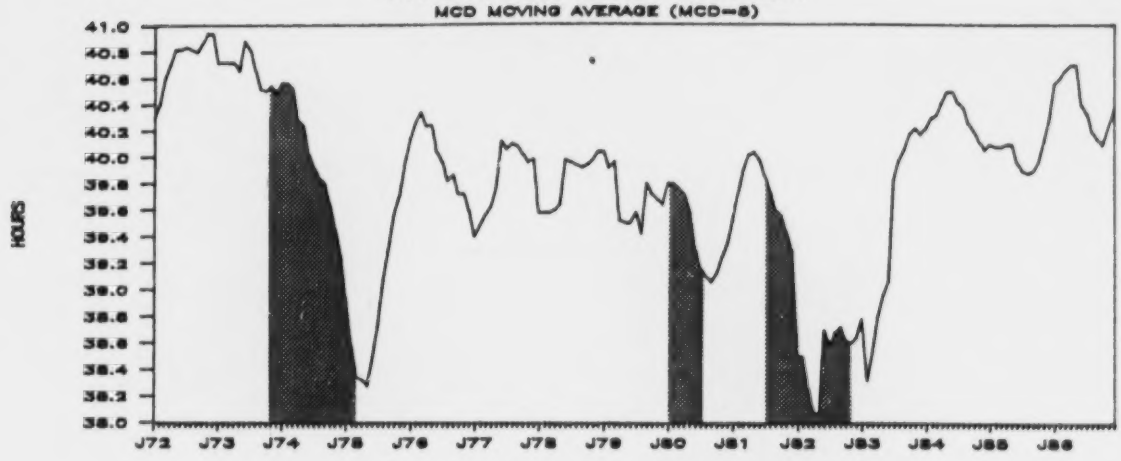

AVERAGE MANHOURS
MCD MOVING AVERAGE (MCD=2)
MILLIONS
13.2
13.0
12.8
12.6
12.4
12.2
12.0
11.8
11.6
11.4
11.2
11.0
10.8
10.6
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86


AVERAGE HOURLY EARNINGS
MCD=1
DOLLARS
9.00
8.00
7.00
6.00
5.00
4.00
3.00
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86


AVERAGE WEEKLY EARNINGS
MCD MOVING AVERAGE (MCD=2)
DOLLARS
380
360
340
320
300
280
260
240
220
200
180
160
140
120
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86

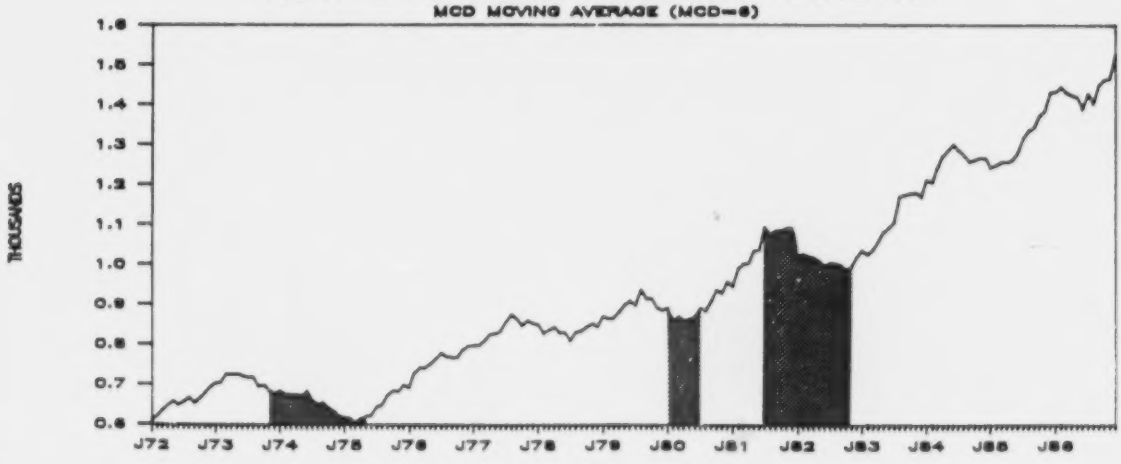
AVERAGE WORKWEEK

MCD MOVING AVERAGE (MCD=6)



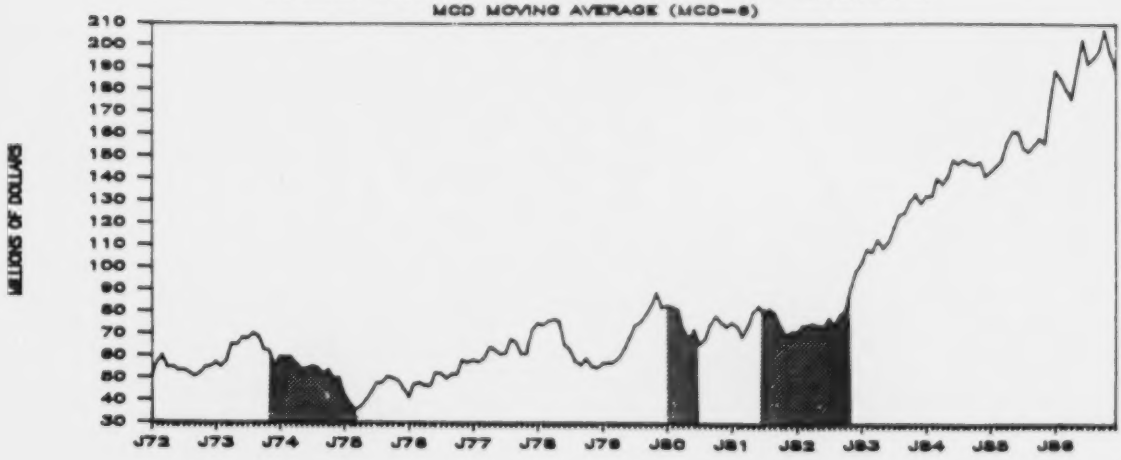
NEW BUSINESS INCORPORATIONS

MCD MOVING AVERAGE (MCD=6)



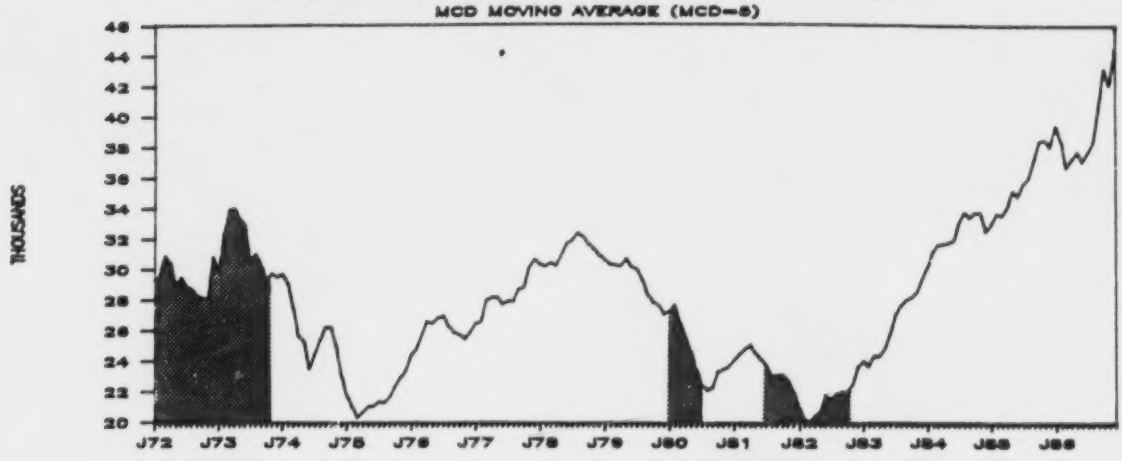
VALUATION OF BUILDING PERMITS

MCD MOVING AVERAGE (MCD=6)



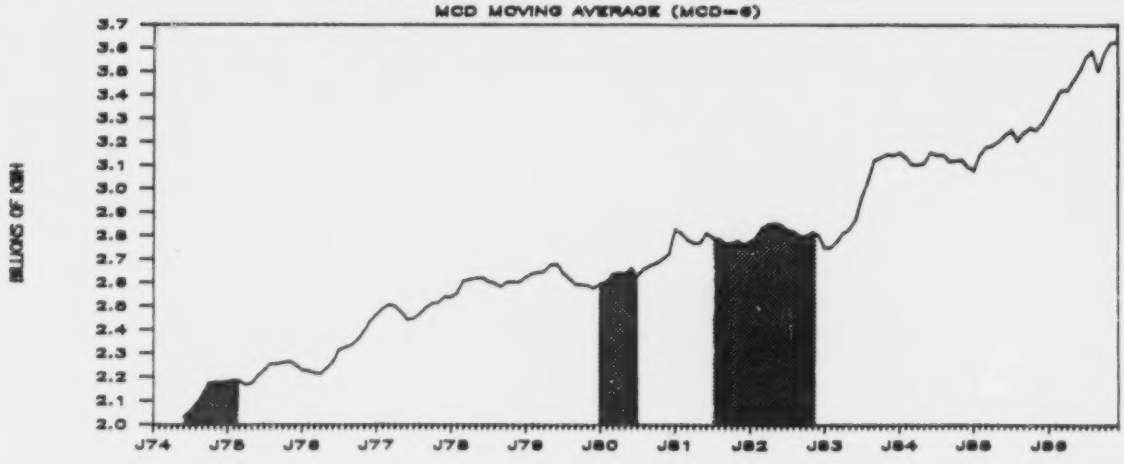
NEW VEHICLE REGISTRATIONS

MCD MOVING AVERAGE (MCD=6)



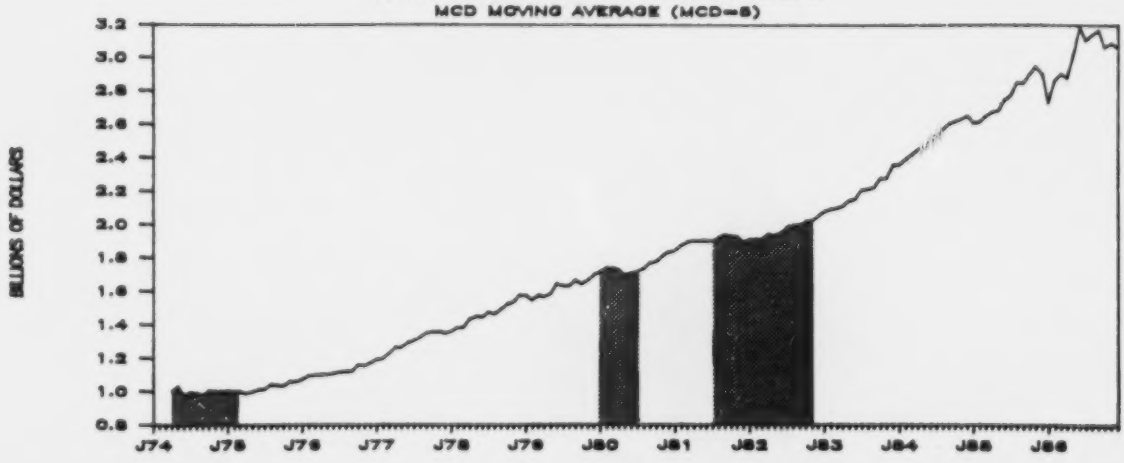
ELECTRICAL POWER SALES

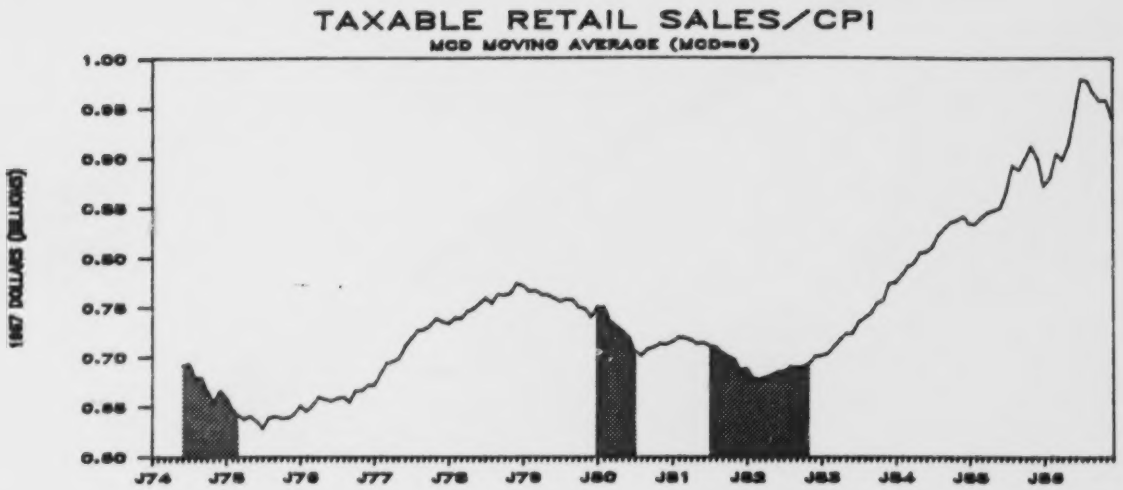
MCD MOVING AVERAGE (MCD=6)



TAXABLE RETAIL SALES

MCD MOVING AVERAGE (MCD=6)




TAXABLE RETAIL SALES/CPI
MOD MOVING AVERAGE (MOD=6)
1967 DOLLARS (BILLIONS)
1.00
0.95
0.90
0.85
0.80
0.75
0.70
0.65
0.60
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86

Virginia Employment Commission
Economic Information Services Division
Post Office Box 1358
Richmond, Virginia 23211

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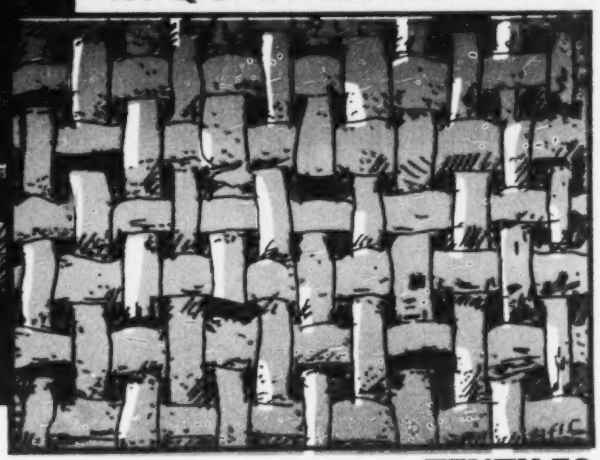
Virginia Employment Commission

VIRGINIA ECONOMIC INDICATORS

VOL. XIX NO. 1

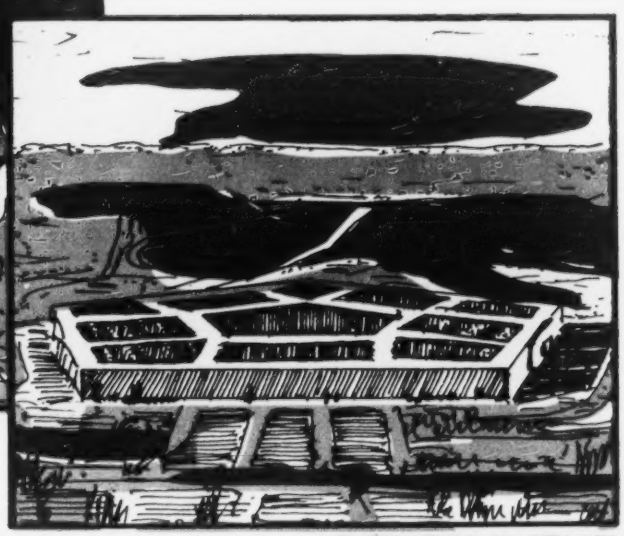
1st QUARTER 1987 DATA

TOURISM



TEXTILES

TOBACCO



GOVERNMENT

Virginia Employment Commission

FOREWORD

This publication is designed to depict the movement of Virginia's key economic indicators in graphic and tabular form with accompanying narrative analysis.

We welcome any comments, suggestions, or questions concerning Virginia Economic Indicators. Please contact Jeffrey A. Windom, Director, Economic Information Services Division, P. O. Box 1358, Richmond, Virginia 23211, telephone (804) 786-7496, for additional information or explanation of the contents of this document.

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1987 and 1988 U. S. Forecast Highlights

- First Quarter 1987 showed a large gain (+4.8 percent) in Gross National Product (GNP).
  - Significant inventory building, especially by the automobile industry, helped to give rise to the largest quarterly gain since Second Quarter 1984.
  - A narrowing of the trade deficit by $14.3 billion to $133.7 billion on an annual basis contributed to growth for the second quarter in a row.
- According to the Wall Street Journal, many analysts contend that the unexpectedly strong performance exaggerated the economy's strength and masked sluggishness as:
  - The inventory buildup was excessive in light of weak demand and a slowdown is expected in the second quarter.
  - Consumer spending fell for the second straight quarter. Auto incentives and attempts to beat the effects of tax reform shifted demand from this year back to last year. Capital spending also declined as a reaction to tax reform.
  - Along with the higher growth came a resurgence in inflation. Prices were up at a 4.2 percent annual rate for the quarter, not an alarming rate but, nevertheless, considerably higher than the 1986 rate of 1.9 percent. The higher inflation rate was partly the consequence of a weaker dollar.
  - After tax profits of U. S. corporations fell 3.9 percent in First Quarter 1987, the sharpest drop since First Quarter 1986.
- Real GNP growth for 1987 between 2.0 percent and 2.5 percent is expected and will probably be closer to the upper end of the range. With the big first quarter pickup, the Administration's forecast of 3.2 percent is not out of the question, however.
  - Slow growth in the second quarter due to cutbacks in industrial production should give way to more vigorous growth in the second half of the year.
  - The weaker U. S. dollar should bring a turnaround in the trade deficit. The deficit should improve by $10-$12 billion this year mainly due to the growth in our exports.
  - Industrial production should pick up by 2.6 percent in response to the improvement in net exports.
  - Consumption expenditures will grow at 2 percent for the year as price increases near 4 percent will cut into real personal income.
  - Car buying will be much more subdued with the interest deduction slashed by tax reform, higher gasoline prices, and more expensive imports.
  - New housing construction will contribute little to economic growth, reflecting recent increases in mortgage rates, high vacancy rates in multi-family housing, and changes in tax laws.
  - Business investment by industries benefiting from a weaker dollar should pick up later in the year.
- Real GNP growth should improve to the 2.5 to 3.0 percent range by 1988 assuming the following:
  - No drastic change in Federal Reserve policy under Chairman Greenspan.
  - Stable interest rates.
  - No further significant drop (20 percent or more) in the dollar, which would cause substantial increases in the prices of imported goods and weaken the economies of our trading partners.
  - No widespread trade protectionism, which could set off a trade war.
  - Continued improvement in our trade deficit.
  - Progress in reducing the Federal deficit.

Alex Valz

HIGHLIGHTS
VIRGINIA ECONOMIC INDICATORS
First Quarter 1987

- During First Quarter 1987, seven of the Virginia economic indicator series set records on a seasonally adjusted basis.
  - Nonagricultural wage and salary employment reached 2,625,400 jobs in March, 3.9 percent higher than in March 1986.
  - Average hourly earnings for factory production workers rose to $9.11 in March, 4.6 percent above the March year-ago level.
  - Average weekly earnings of these same production workers hit a peak $373.67 in March, 5.5 percent higher than last March.
  - Employment at the State's factories hit a record 427,000 jobs in January before shipbuilding losses slightly lowered the February and March levels.
  - Average manhours worked climbed to a record 13,239,400 in January.
  - A cold snowy winter pushed electric power sales to a seasonally adjusted record of $3,810.5 million in March.
  - Taxable retail sales climbed to an all-time high of $4,169.9 million in February.
- The total unemployment rate in Virginia averaged 4.9 percent in First Quarter 1987, up 0.1 percent from the 4.8 percent average of Fourth Quarter 1986, but down 0.2 percent from the 5.1 percent average of First Quarter 1986. Force reductions because of contract completions in shipbuilding and a snowy February and March caused the slight slide from Fourth Quarter 1986.
- Virginia's fast growing services employment sector was already breaking new records by March, turning in an all-time high of 593,700 jobs to be the State's largest employing division.
- The combined government employment sector also broke new ground in March, reaching the record level of 533,000 jobs.
- The insured unemployment rate at 0.9 percent in both January and March was at the lowest level in 13 years, since the February to June period of 1974.
- The January level of 41.2 hours worked for production workers tied the all-time record for the series set one year ago in January 1986, attesting to the high levels of production most of Virginia's factories were enjoying.
- Taxable retail sales in Virginia rose 5.7 percent to $33.005 billion in 1986 from the $31.214 billion reported in 1985, according to the Virginia Department of Taxation. There were gains in most categories. Only the fuel and machinery categories and one of two miscellaneous categories declined.
- According to the Bureau of Labor Statistics of the U. S. Department of Labor, productivity in the nation as measured by output per hour of all persons increased 0.7 percent in 1986. Productivity advanced slowly in the business and nonfarm business sectors when 1986 is compared with 1985, reflecting moderate growth during the first half of the year and declines in the third and fourth quarters. Productivity growth in these two sectors in 1986 was similar to the 1985 experience. In manufacturing, productivity growth was more rapid than in the broader sectors, but was nevertheless smaller than the preceding year's increase.
- The CPI for All Urban Consumers averaged 334.5 (1967 = 100) in First Quarter 1987. This was 1.1 percent higher than the 330.8 average of Fourth Quarter 1986. The First Quarter 1987 average was 2.2 percent higher than the First Quarter 1986 average. This compared to the 3.1 percent first quarter to first quarter rise between 1985 and 1986.
- Private housing permits issued in the U. S. in First Quarter 1987 totaled 350,800 units, down 8.0 percent from First Quarter 1986.
- Coal production was one of the few segments of the Virginia economy not doing especially well. First Quarter 1987 coal production totaled 9,828,000 short tons, down 11.5 percent from the 11,100,000 short tons mined in Virginia in First Quarter 1986. Mine employment averaged below 16,000 in First Quarter 1987 for the lowest level in 16 years.

VIRGINIA ECONOMIC INDICATORS

VOL. XIX, NO. 1 FIRST QUARTER DATA

Indicators Performance Somewhat Flat in First Quarter, Except for Strong Employment and Wage Series

With the exception of the still super strong employment and wage series, most other items wavered a bit in the first quarter from the fourth quarter's rapid pace of expansion. This was particularly true in February. The overall rate of increase of the indicators seemed to slow in the first quarter, but most series were still at very, very high levels by past standards, attesting to the overall strength of the Virginia economy. Most of the business indicators could not quite sustain their red hot performances of the fourth quarter which had been spurred by the lowest interest rates in a decade, year-long auto rebate programs, and tax law changes that prompted a flurry of year-end business activities. Even with the somewhat flat performance of the indicators this quarter, seven series still established new all-time records during the quarter. Three series--nonagricultural employment, average hourly earnings, and average weekly earnings--were still hot, breaking new ground each month of the quarter. These three series finished the quarter in March at the following impressive levels--nonfarm employment, 2,625,400 jobs; average hourly earnings, $9.11; and average weekly earnings, $373.67. The State's factory employment registered a record 427,000 jobs in January. Average manhours worked at 13,239,400 set a record in January before being eroded by shipbuilding losses in February and March. Cold and snowy winter weather pushed electric power sales to new highs of $3,809.8 million in February and $3,810.5 million in March. Taxable retail sales climbed to an all-time high of $4,169.9 million in February.

Nine series were up in January and six moved downward. February turned in the poorest performance of the quarter with seven series up and eight on the downside, continuing the recent trend of the mid-month being the weakest of the quarter. Over-adjustment by some of the seasonal factors may have contributed to February's poorer performance. Things were a little better in March with nine series up, one unchanged, and five on the downside.

The six-month moving average of the number of rising indicators (page 8) serves to illustrate the first quarter's somewhat flat performance. The moving average enhances analysis because it smooths out much of the irregularity present in many of the individual series.

Seven Series Still Manage to Set Records in First Quarter

Nonagricultural wage and salary employment continued its 1986 record-breaking ways in first quarter 1987. Each month saw this indicator break new ground to finish the period at 2,625,400 Virginians on the State's nonfarm payrolls. Rapid gains were still being made in the trade, service, government, finance, and construction sectors. Factory employment could not keep pace with the nonmanufacturing sectors, and in February and March lost much of its January gain to a record 427,000 jobs, ending the quarter at 424,700, just 200 above the December level. Continued attrition in shipbuilding because of early contract completions was a major contributor to the weaker February-March factory performance.

The four unemployment-related indicators were largely positive in January; then all four items turned negative in February, before resuming a largely positive stance for March. Aside from a 6.9 percent negative movement in average weekly initial claims, the remainder of the four indicators showed only minor reversals during February's backsliding. Some of February's poor performance may have resulted from over-compensation by that month's seasonal adjustment factors. The total unemployment rate moved above December's seven-year low of 4.7 percent in both January (4.8 percent) and February (5.0 percent), before settling at 4.9 percent in March. Initial claims improved slightly in January, then worsened markedly in February, before a good improvement in March. The insured unemployment rate was at a very low 0.9 percent in both January and March, the lowest level in 13 years, but bounced up to 1.0 percent temporarily in February. UI final payments improved in January before slight deteriorations in February and March.

The four production worker series were somewhat divided this quarter. The two series related to hours worked, average weekly hours and average manhours worked, were slightly off in February and March after very strong showings in January. During January, average manhours worked at 13,239,400 set an all-time record, and average weekly hours at 41.2 hours tied the record set one year ago in January. The two earnings series--average hourly earnings and average weekly earnings--consistently broke records throughout the quarter. Their March levels, respectively, were an impressive $9.11 per hour and $373.67 per week.

The five business-related series were all off in January after mostly being at or near all-time highs in December. For the most part, they bounced back in February, and the majority then continued to show slight improvement in March. New business incorporations were a record 1,651 in December, fell to 1,249 in January, then moved back up to a respectable 1,570 by March. Valuations of building permits issued tumbled by almost one-half in January from a high December level of $236.3 million, then saw some recovery in the next two months, ending the quarter at $166.7 million. New autos registered, spurred by cut-rate financing and the rush to take advantage of titling tax deductions for the last time before a law change starting in 1987, reached a record 51,726 in December. With the financing rebates largely gone and the titling tax no longer deductible in 1987, registrations plummeted to 33,575 by February, then recovered slightly at 38,810 by March. Electric power sales were off in January, recovered to a record $3,809.8 million in February, and at $3,810.5 million were just a bit higher in March. A fairly cold snowy winter after mid-January boosted power sales. Taxable retail sales were off in December and January in the aftermath of the fourth quarter's record car sales, recovered to a record $4,169.9 million in February, then were off to $3,152.8 million in March. Easter falling late in April this year may have contributed to March's lack-luster sales performance.

William Mezger

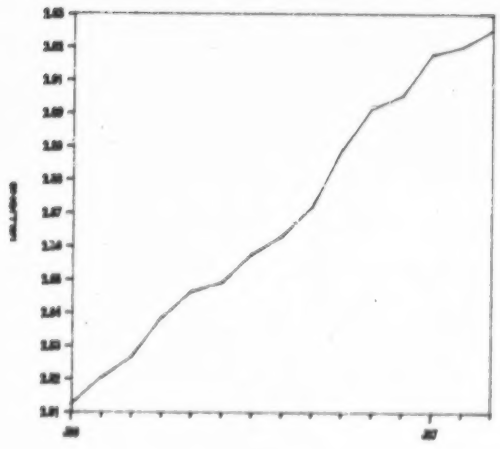
EMPLOYMENT AND UNEMPLOYMENT INDICATORS
January 1986 to March 1987

	Nonagricultural Wage & Salary Emp.* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	2,469.9	2,512.6	421.2	425.5	5.6	5.0
February	2,470.2	2,520.6	422.5	425.9	5.6	5.0
March	2,494.0	2,526.8	422.3	424.4	5.4	5.1
April	2,528.4	2,538.6	422.8	424.5	5.1	5.2
May	2,559.3	2,546.6	422.3	424.0	4.9	5.1
June	2,585.0	2,549.3	423.3	422.5	5.2	5.3
July	2,565.5	2,557.8	422.2	423.5	5.1	5.0
August	2,568.5	2,563.4	425.3	423.6	4.7	5.0
September	2,590.0	2,572.0	427.3	423.1	4.6	5.1
October	2,607.5	2,589.4	427.8	424.8	4.6	4.9
November	2,620.2	2,602.0	428.1	425.1	4.7	4.8
December	2,626.5	2,605.7	425.3	424.5	4.7	4.7
1987						
January	2,573.6	2,618.1	423.2	427.0	5.4	4.8
February	2,568.0	2,620.4	422.7	426.1	5.5	5.0
March	2,591.3	2,625.4	422.6	424.7	5.2	4.9

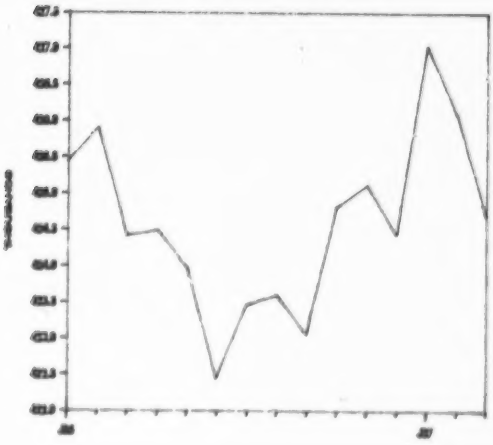
	Average Weekly Initial Claims (Number)		Avg. Wkly. Insured Unemployment Rate (Percent)		U. I. Final Payments (Number)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	8,597	5,427	1.6	1.1	2,439	2,401
February	6,258	5,778	1.4	1.0	1,888	2,009
March	5,133	5,634	1.3	1.0	2,276	1,969
April	6,049	6,812	1.1	1.1	3,089	2,194
May	4,273	5,985	0.9	1.1	2,292	1,698
June	5,266	6,284	0.9	1.1	2,186	2,213
July	6,117	6,117	1.0	1.1	2,244	2,141
August	4,323	6,247	0.9	1.1	1,739	1,941
September	3,974	6,190	0.8	1.1	1,763	2,299
October	4,366	5,478	0.8	1.0	1,504	1,923
November	4,930	5,162	0.9	1.0	1,319	1,809
December	11,709	6,143	1.2	1.1	2,007	2,205
1987						
January	9,593	6,064	1.3	0.9	1,970	1,928
February	7,054	6,484	1.3	1.0	1,849	1,963
March	4,828	5,323	1.1	0.9	2,327	2,027

*These series have been adjusted to First Quarter 1986 benchmarks.

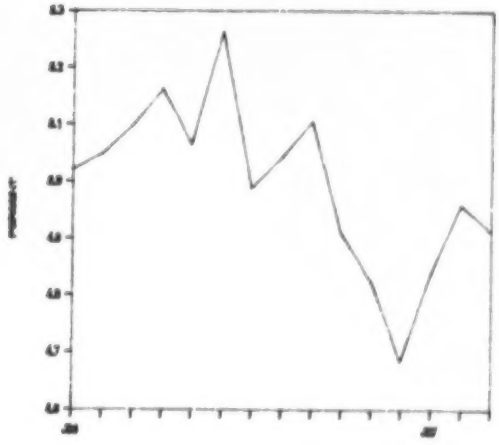
NONAG W & S EMPLOYMENT



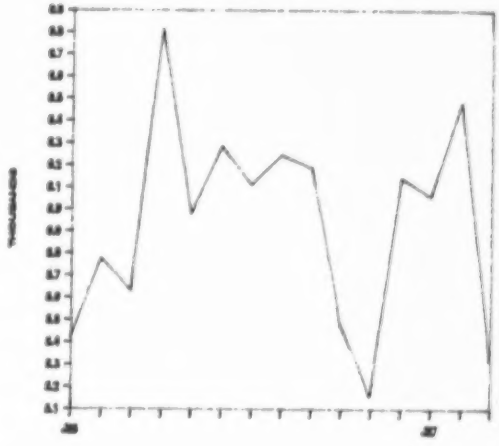
MANUFACTURING EMPLOYMENT



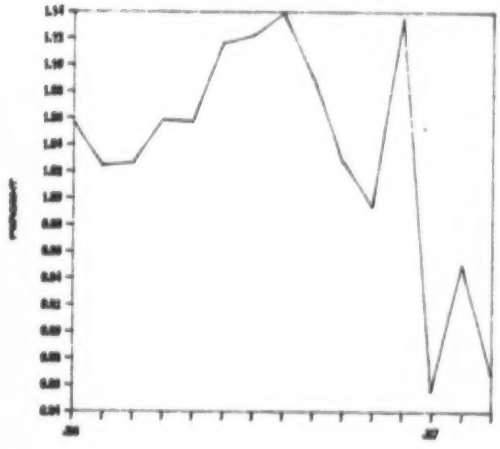
TOTAL UNEMPLOYMENT RATE



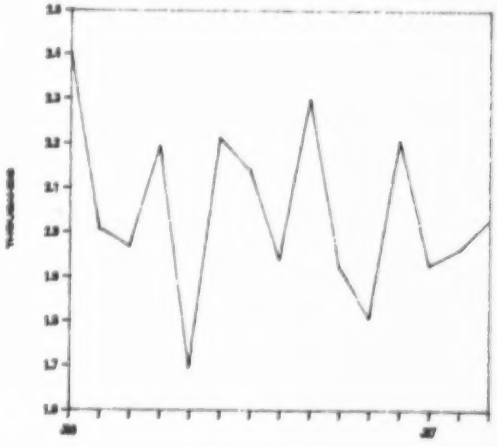
AVG. WEEKLY INITIAL CLAIMS



INSURED UNEMPLOYMENT RATE



U.I. FINAL PAYMENTS



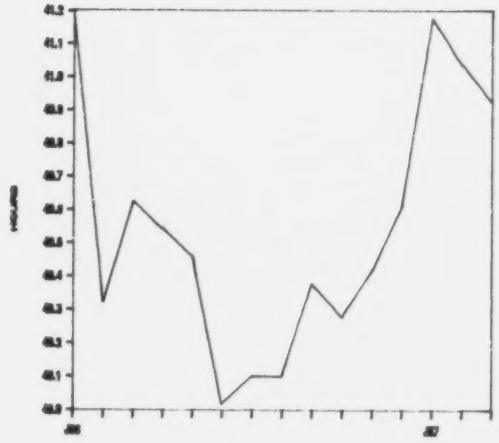
MANUFACTURING PRODUCTION WORKER INDICATORS
January 1986 to March 1987

	Average Weekly Hours* (Hours)		Average Manhours* (Thousands)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	40.6	41.2	12,867.4	13,130.0
February	39.6	40.3	12,604.7	12,901.4
March	40.3	40.6	12,753.6	12,947.8
April	40.3	40.5	12,780.8	12,936.0
May	40.5	40.5	12,824.6	12,889.0
June	40.3	40.0	12,786.4	12,634.8
July	39.9	40.1	12,644.2	12,746.2
August	40.1	40.1	12,836.3	12,823.5
September	40.7	40.4	13,093.3	12,861.8
October	40.4	40.3	13,025.7	12,896.7
November	40.9	40.4	13,219.5	12,973.0
December	41.3	40.6	13,269.8	13,022.4
1987				
January	40.6	41.2	12,987.9	13,239.4
February	40.3	41.0	12,879.9	13,183.1
March	40.6	40.9	12,959.5	13,156.9

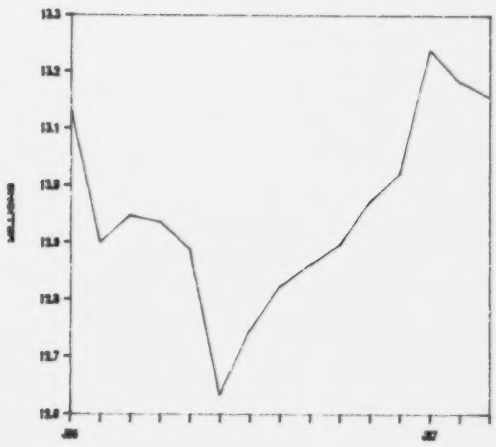
	Average Hourly Earnings* (Dollars)		Average Weekly Earnings* (Dollars)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	8.68	8.62	352.41	355.25
February	8.73	8.70	345.71	350.97
March	8.72	8.71	351.42	354.25
April	8.75	8.76	352.63	354.05
May	8.81	8.83	356.81	357.53
June	8.81	8.84	355.04	353.63
July	8.88	8.90	354.31	356.81
August	8.87	8.91	355.69	356.76
September	8.93	8.95	363.45	361.28
October	8.91	8.95	359.96	361.04
November	8.94	8.94	365.65	359.89
December	9.02	8.98	372.53	364.51
1987				
January	9.06	9.00	367.84	370.81
February	9.07	9.04	365.52	371.09
March	9.13	9.11	370.68	373.67

*These series have been adjusted to First Quarter 1986 benchmarks.

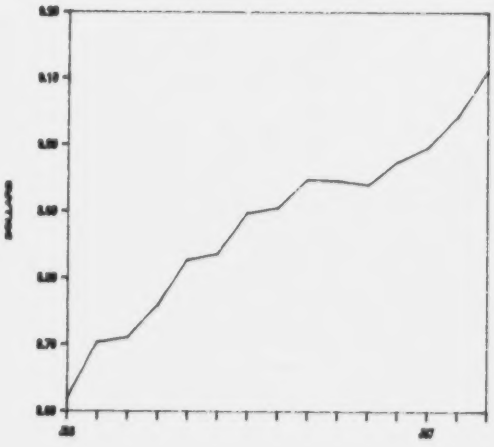
AVERAGE WEEKLY HOURS



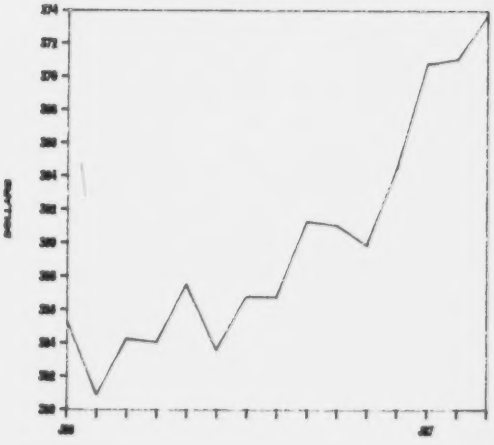
AVERAGE MANHOURS



AVERAGE HOURLY EARNINGS



AVERAGE WEEKLY EARNINGS

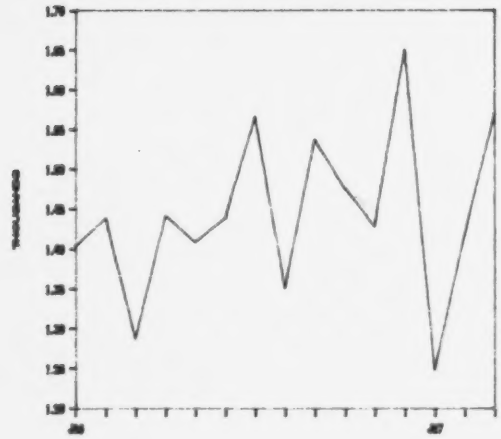


BUSINESS INDICATORS
January 1986 to March 1987

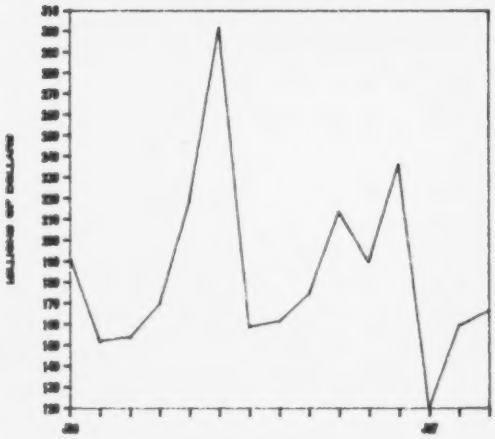
	New Business Incorporations (Number)		Valuation of Bldg. Permits ($ Millions)		New Vehicle Registrations (Number)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	1,391	1,405	175.3	191.2	39,473	40,568
February	1,469	1,439	117.8	152.0	31,677	36,706
March	1,401	1,289	180.3	153.8	38,739	35,803
April	1,579	1,442	194.3	170.0	41,469	37,837
May	1,438	1,410	230.2	218.4	42,820	37,827
June	1,445	1,439	374.5	301.8	45,992	39,580
July	1,554	1,567	159.8	158.8	43,297	39,325
August	1,358	1,353	160.0	161.6	40,420	39,205
September	1,387	1,538	157.0	174.6	49,358	47,097
October	1,483	1,477	230.7	213.6	45,978	46,678
November	1,255	1,429	173.2	190.1	28,768	35,342
December	1,656	1,651	190.0	236.3	36,777	51,726
1987						
January	1,237	1,249	111.8	120.3	41,798	42,958
February	1,453	1,419	123.4	159.6	28,975	33,575
March	1,707	1,570	195.0	166.7	41,798	38,810

	Electrical Power Sales (Mil. of KWH)		Taxable Retail Sales ($ Millions)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	4,062.3	3,436.8	2,144.1	2,425.5
February	3,851.7	3,476.3	2,942.0	3,428.9
March	3,654.2	3,593.1	2,958.5	3,127.4
April	3,083.0	3,362.1	2,826.4	2,913.8
May	2,918.1	3,465.7	3,482.3	3,221.4
June	3,460.5	3,600.9	3,161.5	3,171.0
July	4,065.7	3,782.0	2,993.0	3,029.4
August	4,078.7	3,677.8	3,291.6	3,275.2
September	3,386.8	3,222.5	3,028.5	3,096.6
October	3,286.4	3,755.9	3,787.4	2,711.5
November	3,198.7	3,693.6	3,349.7	3,268.0
December	3,688.6	3,710.9	3,582.1	2,891.1
1987				
January	4,142.9	3.510.9	2,388.1	2,704.5
February	4,221.3	3,809.8	3,569.4	4,169.9
March	3,879.1	3,810.5	2,985.7	3,152.8

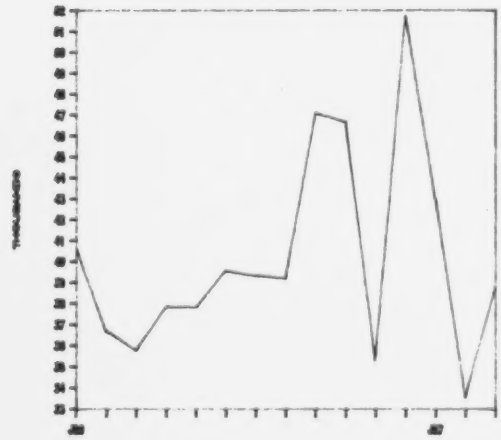
NEW BUSINESS INCORPORATIONS



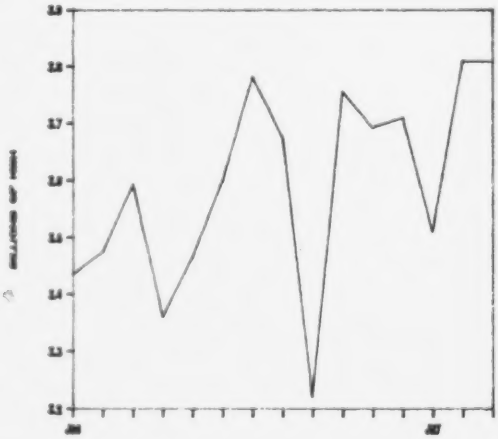
VALUATION OF BUILDING PERMITS



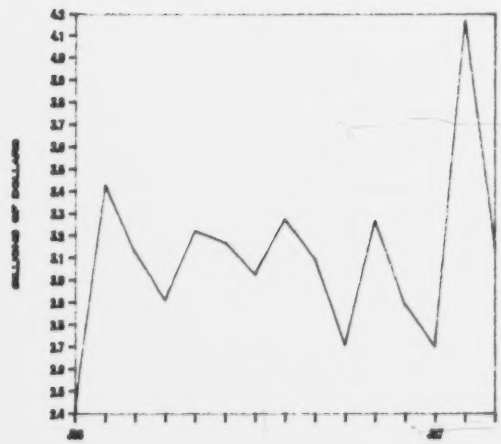
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



TAXABLE RETAIL SALES

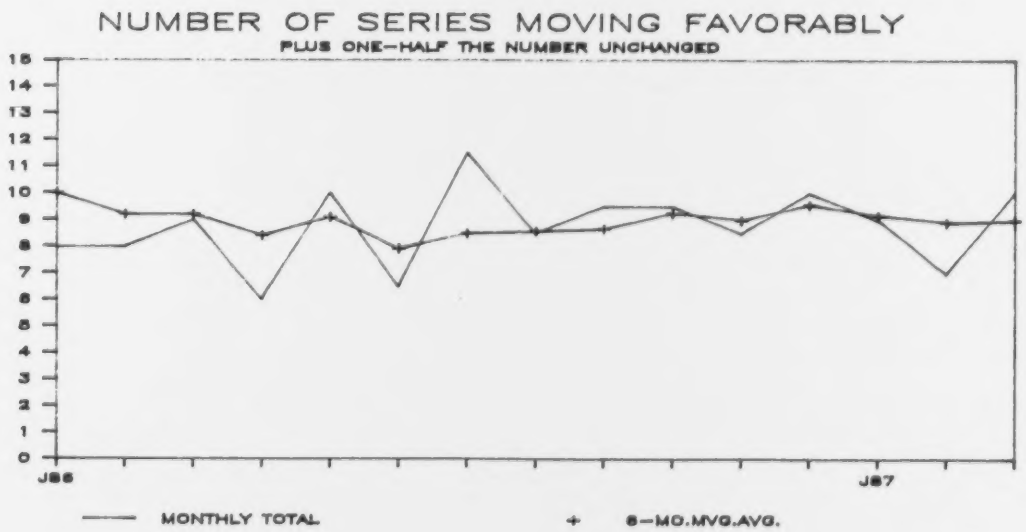


DATA SUMMARY MARCH 1987 (SEASONALLY ADJUSTED DATA)	Mar. 1987	Feb. 1987	Mar. 1986	Percent & (Direction) of Change 1/ Feb. '87- Mar. '87	 Mar. '86- Mar. '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,625.4	2,620.4	2,526.8	+ 0.2 (+)	+ 3.9 (+)
*Manufacturing Employment (000)	424.7	426.1	424.4	- 0.3 (-)	+ 0.1 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.9	5.0	5.1	xxx (+)	xxx (+)
Average Weekly Initial Claims	5,323	6,484	5,634	-17.9 (+)	- 5.5 (+)
Average Weekly Insured Unemployment Rate (%)	0.9	1.0	1.0	xxx (+)	xxx (+)
Unemployment Insurance Final Payments	2,027	1,963	1,969	+ 3.3 (-)	+ 3.0 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.9	41.0	40.6	- 0.3 (-)	+ 0.7 (+)
*Average Manhours (000)	13,156.9	13,183.1	12,947.8	- 0.2 (-)	+ 1.6 (+)
*Average Hourly Earnings ($)	9.11	9.04	8.71	+ 0.8 (+)	+ 4.6 (+)
*Average Weekly Earnings ($)	373.67	371.09	354.25	+ 0.7 (+)	+ 5.5 (+)
BUSINESS					
New Business Incorporations	1,570	1,419	1,289	+10.7 (+)	+21.8 (+)
Valuation of Building Permits - 18 Cities ($M)	166.7	159.6	153.8	+ 4.4 (+)	+ 8.3 (+)
New Vehicle Registrations	38,810	33,575	35,803	+15.6 (+)	+ 8.4 (+)
Electrical Power Sales (M of KWH)	3,810.5	3,809.8	3,593.1	0.0 (0)	+ 6.1 (+)
Taxable Retail Sales ($M)	3,152.8	4,169.9	3,127.4	-24.4 (-)	+ 0.8 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1986 benchmarks

SUMMARY



DATA SUMMARY FEBRUARY 1987 (SEASONALLY ADJUSTED DATA)	Feb. 1987	Jan. 1987	Feb. 1986	Percent & (Direction) of Change 1/ Jan. '87- Feb. '87	 Feb. '86- Feb. '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,620.4	2,618.1	2,520.6	+ 0.1 (+)	+ 4.0 (+)
*Manufacturing Employment (000)	426.1	427.0	425.9	- 0.2 (-)	0.0 (0)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	5.0	4.8	5.0	xxx (-)	xxx (0)
Average Weekly Initial Claims	6,484	6,064	5,778	+ 6.9 (-)	+12.2 (-)
Average Weekly Insured Unemployment Rate (%)	1.0	0.9	1.0	xxx (-)	xxx (0)
Unemployment Insurance Final Payments	1,963	1,928	2,009	+ 1.8 (-)	- 2.3 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.0	41.2	40.3	- 0.3 (-)	+ 1.8 (+)
*Average Manhours (000)	13,183.1	13,239.4	12,901.4	- 0.4 (-)	+ 2.2 (+)
*Average Hourly Earnings ($)	9.04	9.00	8.70	+ 0.5 (+)	+ 3.9 (+)
*Average Weekly Earnings ($)	371.09	370.81	350.97	+ 0.1 (+)	+ 5.7 (+)
BUSINESS					
New Business Incorporations	1,419	1,249	1,439	+13.6 (+)	- 1.4 (-)
Valuation of Building Permits - 18 Cities ($M)	159.6	120.3	152.0	+32.7 (+)	+ 5.0 (+)
New Vehicle Registrations	33,575	42,958	36,706	-21.8 (-)	- 8.5 (-)
Electrical Power Sales (M of KWH)	3,809.8	3,510.9	3,476.3	+ 8.5 (+)	+ 9.6 (+)
Taxable Retail Sales ($M)	4,169.9	2,704.5	3,428.9	+54.2 (+)	+21.6 (+)

DATA SUMMARY JANUARY 1987 (SEASONALLY ADJUSTED DATA)	Jan. 1987	Dec. 1986	Jan. 1986	Percent & (Direction) of Change 1/ Dec. '86- Jan. '87	 Jan. '86- Jan. '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,618.1	2,605.7	2,512.6	+ 0.5 (+)	+ 4.2 (+)
*Manufacturing Employment (000)	427.0	424.5	425.5	+ 0.6 (+)	+ 0.4 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.8	4.7	5.0	xxx (-)	xxx (+)
Average Weekly Initial Claims	6,064	6,143	5,427	- 1.3 (+)	+11.7 (-)
Average Weekly Insured Unemployment Rate (%)	0.9	1.1	1.1	xxx (+)	xxx (+)
Unemployment Insurance Final Payments	1,928	2,205	2,401	-12.6 (+)	-19.7 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.2	40.6	41.2	+ 1.4 (+)	0.0 (0)
*Average Manhours (000)	13,239.4	13,022.4	13,130.0	+ 1.7 (+)	+ 0.8 (+)
*Average Hourly Earnings ($)	9.00	8.98	8.62	+ 0.2 (+)	+ 4.4 (+)
*Average Weekly Earnings ($)	370.81	364.51	355.25	+ 1.7 (+)	+ 4.4 (+)
BUSINESS					
New Business Incorporations	1,249	1,651	1,405	-24.3 (-)	-11.1 (-)
Valuation of Building Permits - 18 Cities ($M)	120.3	236.3	191.2	-49.1 (-)	-37.0 (-)
New Vehicle Registrations	42,958	51,726	40,568	-17.0 (-)	+ 5.9 (+)
Electrical Power Sales (M of KWH)	3,510.9	3,710.9	3,436.8	- 5.4 (-)	+ 2.2 (+)
Taxable Retail Sales ($M)	2,704.5	2,891.1	2,425.5	- 6.5 (-)	+11.5 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1986 benchmarks

THE VIRGINIA LEADING AND COINCIDENT INDEXES

1986	Leading Index (1977=100)	Monthly Percent Change	Quarterly Percent Change	Coincident Index (1977=100)	Monthly Percent Change	Quarterly Percent Change
January	152.7	+1.5	--	131.6	-0.9	--
February	153.3	+0.4	+3.5	132.3	+0.5	+0.2
March	153.8	+0.4	--	133.6	+1.0	--
April	153.3	-0.4	--	134.0	+0.3	--
May	154.3	+0.6	+0.3	135.4	+1.0	+2.2
June	153.8	-0.3	--	136.7	+1.0	--
July	154.4	+0.4	--	138.4	+1.2	--
August	154.1	-0.2	+0.7	138.4	+0.1	+2.2
September	155.5	+0.9	--	138.4	-0.1	--
October	156.7	+0.8	--	138.7	+0.2	--
November	157.6	+0.6	+2.0	139.4	+0.5	+0.4
December	159.0	+0.9	--	138.9	-0.3	--
1987						
January	158.1	-0.5	--	138.8	-0.1	--
February	158.5	+0.2	+0.6	140.6	+1.3	+0.8
March	159.6	+0.7	--	140.8	+0.1	--

The Virginia leading and coincident indexes both posted small gains during First Quarter 1987 over Fourth Quarter 1986. Weather-related factors had much to do with the relatively weak performances of the indexes so it is difficult to assess the underlying strength of the State's economy. Despite the seasonal adjustments and the use of moving averages, two components of the leading index showed declines. Building permits in 1982 dollars fell each month of the quarter and initial claims for unemployment insurance increased (a negative trend) in January and February due mainly to the snowstorms experienced during that period. The leading index improved in March as initial claims dropped to a more normal level.

Weak retail sales totals for January reflect data collection problems during that period but a big increase in this component during February is primarily responsible for the notable improvement in the coincident index that month. Of the other coincident index components, the industrial production index was flat in January but improved toward the end of the quarter while hours worked by factory production workers, nonagricultural wage and salary employment, and personal income less transfer payments continued to reflect strength in the Virginia economy.

The national leading and coincident indicators improved by 1.9 percent and 0.5 percent respectively from the Fourth Quarter 1986 to the First Quarter 1987.

Recent revisions in the seasonal adjustments affected the levels for both indexes for 1986. Additionally, new estimates for personal income from the Bureau of Economic Analysis significantly raised the third quarter and lowered the fourth quarter total so that the coincident index now shows a larger gain during the third quarter and a much smaller increment for the fourth quarter than shown in the last issue of this publication.

Below are estimates of State personal income through First Quarter 1987.

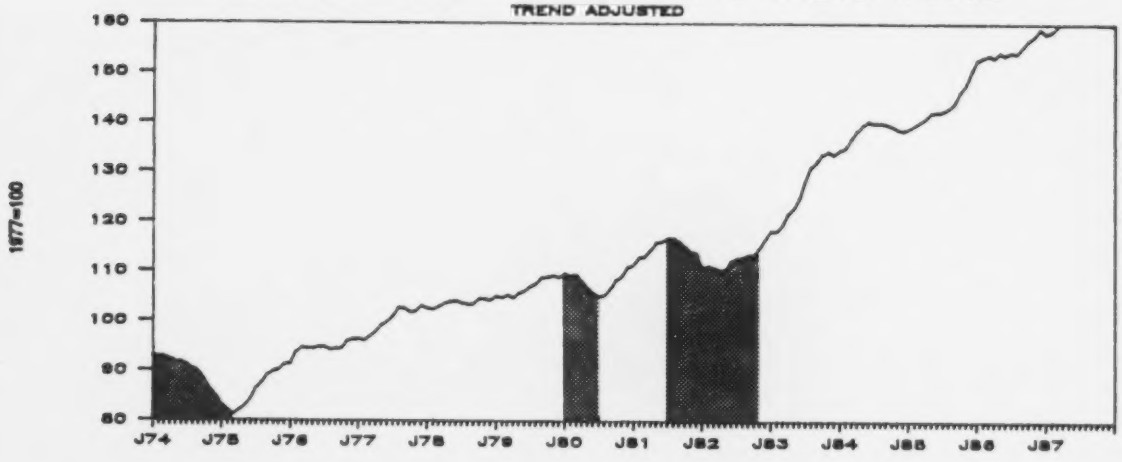
1986	Total Personal Income (000)	Transfer Payments (000)	Real Personal Income (82$) (000)	Transfer Payments (82$) (000)
1st Qtr	$87,156	$11,632	$76,650	$10,230
2nd Qtr	88,321	11,732	77,880	10,350
3rd Qtr	89,669	11,909	78,380	10,410
4th Qtr	90,743	11,966	78,700	10,380
1987				
1st Qtr (projected)	93,330	12,250	79,900	10,490

Source: Bureau of Economic Analysis, U. S. Department of Commerce

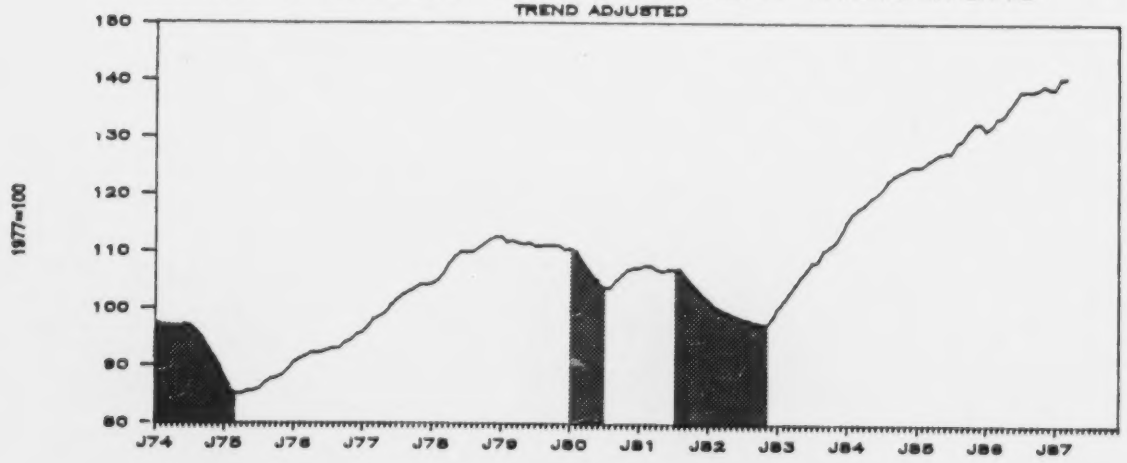
Note: All personal income data reflects seasonally adjusted annual rates.

Alex Valz

VIRGINIA INDEX OF LEADING INDICATORS



VIRGINIA INDEX OF COINCIDENT INDICATORS



A REVIEW AND RANKING OF THE 1986 EMPLOYMENT GROWTH PERFORMANCES IN FIVE VIRGINIA MSAs AND THE BALANCE OF VIRGINIA AND AREA FORECASTS FOR 1987 AND 1988

1986 Review and Ranking

In the last issue of Virginia Economic Indicators we looked at 1986 nonagricultural employment trends in the State and projected Statewide job growth for the near future. In this issue we will look at employment and growth patterns in the State's five largest Metropolitan Statistical Areas (MSAs) and in the Balance of Virginia, the remaining portion of the State outside the largest areas.

While nonfarm employment in Virginia grew at an impressive 4.2 percent or 102,400 jobs in 1986, a rate that was over 1½ times faster than the U. S. average, the rate of job gains varied markedly from area to area. Growth rates for total nonagricultural employment and for major industrial divisions for 1986 are shown Statewide, by major MSAs, and for the Balance of Virginia in the table on page 13.

By far, Northern Virginia was the State's star performer in the job category, growing by a boomy 6.6 percent. This was a growth rate greater than 2½ times the U. S. average and greater than 1½ times the Virginia average. Northern Virginia recorded the largest percentage of job gains of any area in four major employment divisions--manufacturing (+8.5 percent), the transportation group (+7.1 percent), wholesale and retail trade (+7.9 percent), and services (+9.2 percent). Although manufacturing makes up only 5.3 percent of Northern Virginia's nonfarm employment (34,500 out of 655,200), rapid expansions were noted in electronics, printing, and building materials. Transportation benefited from increased air travel with two of the Washington area's three major airports being located in Northern Virginia. Trade and services have been booming in Northern Virginia for several years, and a labor shortage situation with a 2.5 percent 1986 average jobless rate may be preventing area employers from expanding even faster. Northern Virginia had the second fastest expansion in state and local government, particularly in schools, as localities attempted to keep pace with the increasing population. Northern Virginia had the third highest growth rate of all the areas in construction at 11.6 percent, but numerically the 47,300 jobs created in the building trades surpassed all other areas except the Balance of Virginia. Except for mining in which Northern Virginia ranked in last place because of a rounding loss in its tiny portion of that industry (-16.6 percent to 500), no other Northern Virginia industrial division ranked lower than third in growth in comparison with other areas. Northern Virginia's impressive job growth plus its sheer size (655,200 nonfarm jobs) were major factors in Virginia's overall good performance as can be seen in Chart I on page 14. Virginia's growth rate without the benefit of Northern Virginia's job gains would have been only slightly above the U. S. average.

Of the other four major MSAs and the Balance of Virginia, all grew less than the 4.2 percent State average. The Norfolk-Virginia Beach-Newport News area ranked second in growth in 1986 with a 3.9 percent gain. Percentagewise, Tidewater had the largest gain of any area in state and local government jobs (+4.2 percent) and the second fastest advancement in manufacturing because of expansions in shipbuilding and auto assembly. (Some of this increase, however, has since been cancelled by shipyard contract completions.) Tidewater also did well in transportation sector growth, ranking third overall because of port activities and railroad headquarters consolidation.

The Roanoke area turned in a 3.5 percent increase to tie for the third place in 1986 with the non-MSA balance. Roanoke ranked second in finance (+12.9 percent) and federal government (+3.0 percent) and third in manufacturing and trade. Railroad losses placed it at the bottom in transportation gains, and a shopping center building binge the year before caused it to come in last in construction growth.

The Balance of Virginia, the area outside the five largest MSAs, was tied with Roanoke for third place with 3.5 percent 1986 job growth. This position resulted from a first place showing in finance (+13.5 percent) as financial institutions grew in smaller areas and second place expansions in trade (+7.8 percent) and transportation (+5.6 percent). Third place finishes in construction, services, and state and local government also helped. The Balance of Virginia has one-third of the State's nonfarm employment, but one-half of its factory jobs because many plants have located in the smaller towns and cities of the Valley and Southside regions. Manufacturing in the Balance of Virginia finished tied for third with Roanoke with a 0.1 percent job loss, but this was better than its 0.7 percent loss in the 1984-85 period. The declining dollar was making Virginia manufacturers more competitive with foreign producers. Much of the Balance of Virginia growth was in the Fredericksburg, Northern Shenandoah Valley, and Bristol areas.

The Richmond-Petersburg area came in fifth with a steady 3.0 percent increase. A very strong employment picture in the Richmond portion of the area, particularly in Chesterfield County and other booming Richmond suburbs, was watered down by a still fairly weak Tri-cities portion of the area. Richmond-Petersburg ranked first in growth in federal government (+5.1 percent) and first in its tiny mining sector (+26.7 percent). It ranked second in gains in the service industry at 6.8 percent. Losses from 1985 of 2.2 percent, largely in Petersburg, placed the area fifth in manufacturing growth.

(Narrative continued on page 16)

NONAGRICULTURAL EMPLOYMENT, STATE AND AREAS

Average Employment in Thousands

	State		Lynchburg		Norfolk-VA Beach Newport News		Northern VA		Richmond-Petersburg		Roanoke		Balance	
	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985	1986 Avg.	% Change Over 1985
Total Nonagri. Employment	2,557.1	+ 4.2	70.1	- 0.4	530.6	+ 3.9	655.2	+ 6.6	415.0	+ 3.0	117.5	+ 3.5	768.7	+ 3.5
Manufacturing	424.2	+ 0.2	24.0	- 4.0	69.0	+ 1.3	34.5	+ 8.5	62.6	- 2.2	20.7	- 0.1	213.4	- 0.1
Durable Goods	201.1	0.0	15.2	- 4.4	50.6	0.0	20.7	+ 5.6	18.2	0.0	12.1	0.0	84.3	0.0
NonDurable Goods	223.1	+ 0.3	8.7	- 3.3	18.4	+ 2.8	13.8	+13.1	44.4	- 1.6	8.5	- 2.3	129.3	- 0.2
Mining	16.4	- 5.2	0.1	0.0	0.1	0.0	0.5	-16.6	0.4	+26.7	0.1	0.0	15.2	- 5.6
Construction	168.1	+10.6	3.1	+14.8	37.4	+10.7	47.3	+11.6	25.0	+ 6.8	6.7	+ 3.1	48.6	+12.8
Transp., Com., Public Utilities	137.3	+ 4.0	2.9	0.0	25.7	+ 2.0	45.4	+ 7.1	22.1	+ 1.4	9.0	- 2.2	32.2	+ 5.6
Wholesale & Retail Trade	580.2	+ 6.1	13.2	- 0.8	129.7	+ 4.3	152.9	+ 7.9	100.6	+ 3.8	31.4	+ 6.8	152.4	+ 7.8
Fin., Ins., & Real Estate	130.8	+ 6.5	3.3	0.0	24.1	+ 5.7	40.0	+ 9.6	31.1	+ 4.7	7.9	+12.9	24.4	+13.5
Services	579.0	+ 6.3	13.9	+ 6.1	119.9	+ 5.1	198.1	+ 9.2	83.6	+ 6.8	26.6	+ 4.7	136.9	+ 5.6
Federal Govmnt.	168.0	- 0.1	0.5	0.0	55.5	- 0.4	73.0	+ 0.4	16.4	+ 5.1	3.4	+ 3.0	19.2	- 5.4
State & Local Govmnt.	353.0	+ 1.6	9.2	- 3.2	69.3	+ 4.2	63.6	+ 1.9	71.2	+ 0.4	11.7	0.0	128.0	+ 1.2

CHART I

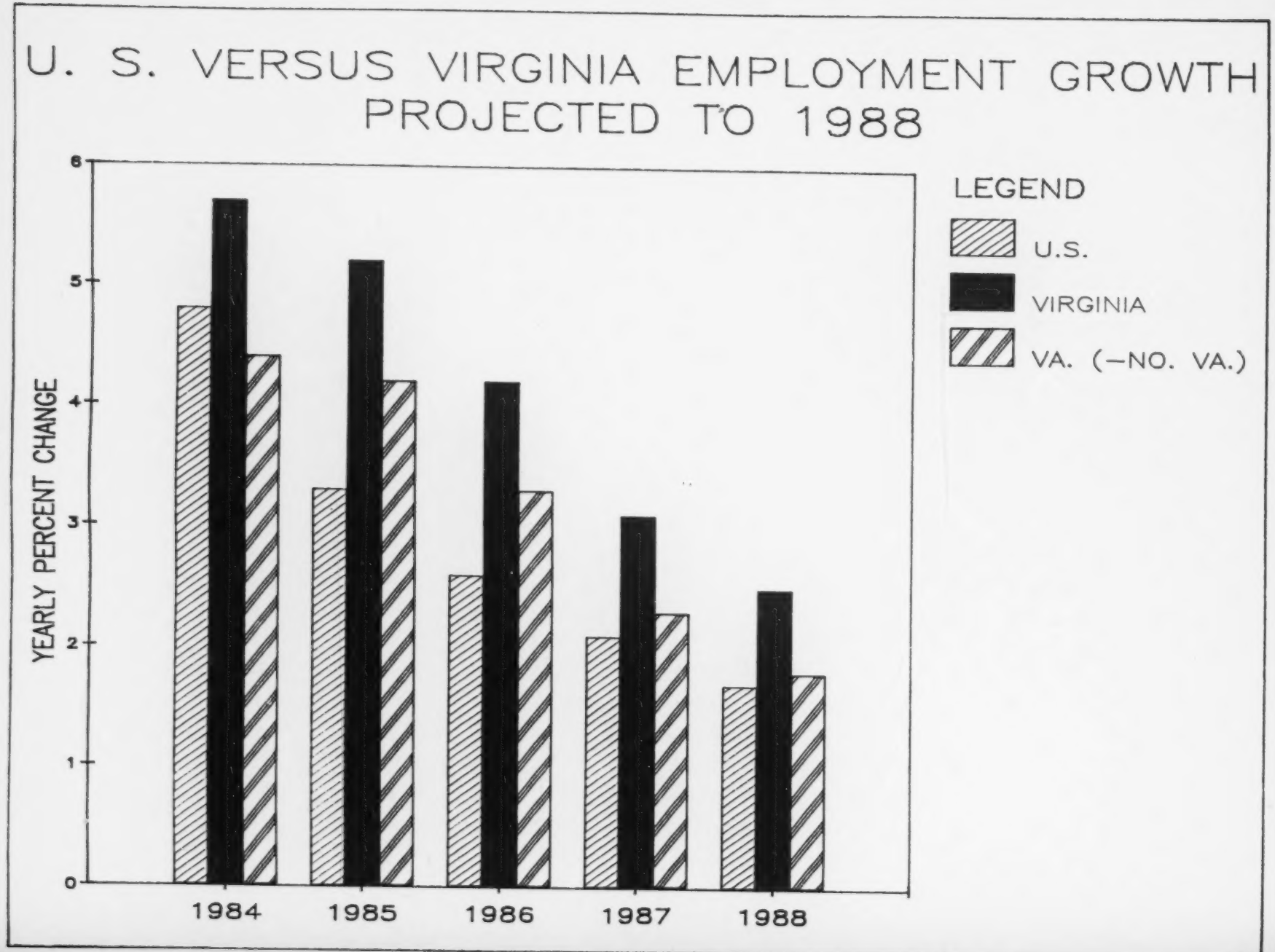
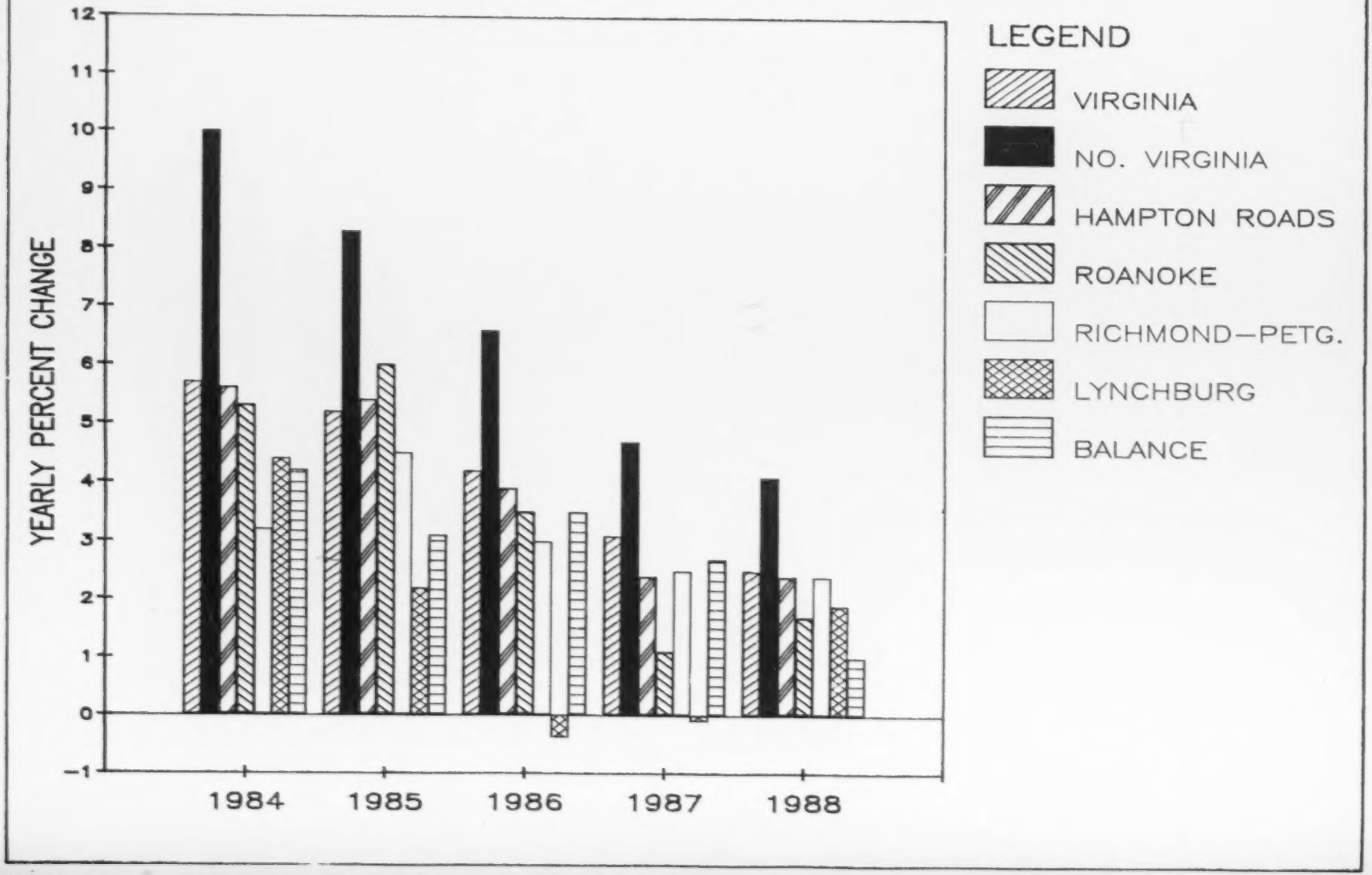

U. S. VERSUS VIRGINIA EMPLOYMENT GROWTH
PROJECTED TO 1988
YEARLY PERCENT CHANGE
0
1
2
3
4
5
6
1984
1985
1986
1987
1988
LEGEND
U.S.
VIRGINIA
VA. (—NO. VA.)

CHART II

STATE AND MSA EMPLOYMENT GROWTH PROJECTED TO 1988



Lynchburg finished in sixth or last place with a nonfarm drop of 0.4 percent because of 4.0 percent job losses in its key manufacturing sector. Lynchburg has 34 percent of its nonfarm employment in manufacturing, the highest percentage of any Virginia MSA, and one of the highest ratios of manufacturing to nonfarm employment in the U. S. Unfortunately, several major reductions were reported in 1985 and 1986 at Lynchburg manufacturers. In spite of factory losses, Lynchburg had the highest percentage gain in construction of any area (+14.8 percent).

Area Forecasts for 1987 and 1988

The Economic Information Services Division has been experimenting with regional forecasting below the State level using the Wharton Virginia Model. (This was formerly the Chase Econometrics Model as the Chase and Wharton forecasting services have recently merged). From this work, we project growth in the State as well as in most areas will decline from 1986 levels as the current recovery now approaches its fifth birthday, a very long running recovery by postwar standards. Factors bringing about this overall slower expansion are an aging labor force, less pent-up demand for houses and autos, and the impact of federal budget balancing and income tax reform.

Nonagricultural employment Statewide is projected to grow at 2.9 percent in 1987 and 2.4 percent in 1988. See Chart II, page 15, for State and area projections. Northern Virginia is forecast to still significantly outpace all other areas, with employment there expanding by a robust 4.5 percent in 1987 and 4.0 percent in 1988. Chief gainers should still be trade, services, and electronics. The Balance of Virginia should see the second strongest employment gains in 1987 as the manufacturers located in the small towns and cities really benefit from the fall in the value of the U. S. dollar. Nonfarm employment in the Balance of Virginia should forge ahead by 2.5 percent in 1987 before settling back to a more leisurely expansion rate of 1.0 percent in 1988. Richmond-Petersburg should improve its standing to third place with growth in the lower to mid-2.0 percent range in both 1987 and 1988 as activities, especially construction, continue very strong in Richmond and its suburbs and Petersburg overcomes some of its manufacturing problems.

The Hampton Roads area likely will fall from second to fourth ranking among the areas in both 1987 and 1988 with a growth rate of just over 2.0 percent. Shipyard contract completions and building restrictions, particularly in the very hot Virginia Beach market, will be factors tempering growth in Eastern Virginia. Roanoke area employment growth is forecast in fifth place both years at 1.0 percent in 1987 and just under 2.0 percent by 1988. The just announced location of a sizeable cable TV/telephone sales operation for the Roanoke Valley may now cause that area to outpace these projections. Lynchburg, although still forecast to have slightly negative growth in 1987, should rebound by 1988 with growth of 2.0 percent which would move it to fourth place among the areas.

William Mezger

HISTORICAL SUMMARY

Performance of Indicators Over the Business Cycle

GENERAL INFORMATION

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

BUSINESS CYCLE TURNING POINTS

The shaded spaces on the charts represent the 1973-75, 1980, and 1981-82 recessions as designated by the National Bureau of Economic Research (NBER). The beginning of a recession is defined as the month when aggregate economic activity in the U. S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. According to NBER, the 1973-75 recession began in November 1973 and ended in March 1975, the 1980 recession began in January 1980 and ended in July 1980, and the 1981-82 recession began in July 1981 and ended in November 1982.

SEASONAL ADJUSTMENT

To correlate changes in a time series and changes in the business cycle it is desirable

SEASONAL ADJUSTMENT (continued)

to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in Indicators have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

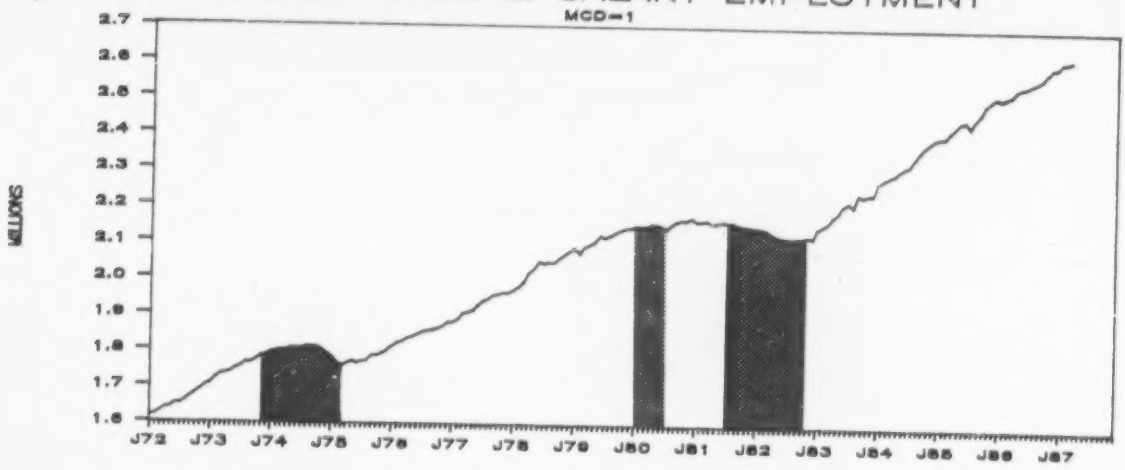
MONTHS FOR CYCLICAL DOMINANCE (MCD)

After seasonal adjustment there often remains a significant degree of purely random change, the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data--the greater the MCD the more random and less cyclically significant are monthly changes in the series. Where noted, charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

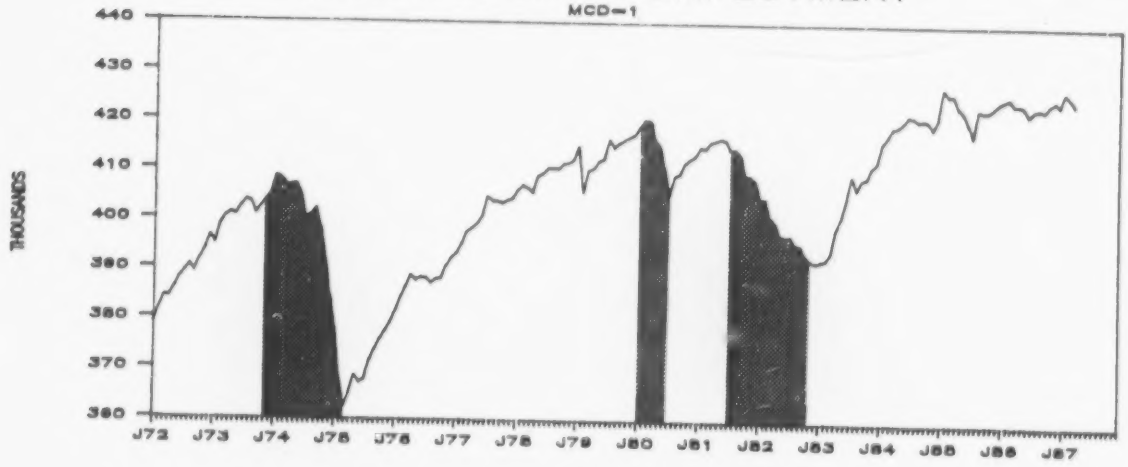
DATA SOURCES

Nonagricultural Wage and Salary Employment	Virginia Employment Commission (VEC)
Manufacturing Employment	VEC
Total Unemployment Rate	VEC
Average Weekly Initial Claims	VEC
Insured Unemployment Rate	VEC
Unemployment Insurance Final Payments	VEC
Average Manhours	VEC
Average Hourly Earnings	VEC
Average Weekly Earnings	VEC
Average Workweek	VEC
New Business Incorporations	Virginia State Corporation Commission
Valuation of Building Permits - 18 Cities	Local Building Inspectors
New Vehicle Registrations	Virginia State Division of Motor Vehicles
Electrical Power Sales	Virginia Power, Appalachian Power Co., Delmarva Electric Co., Tennessee Power Company
Taxable Retail Sales	Virginia State Department of Taxation
Taxable Retail Sales/CPI	Virginia State Department of Taxation

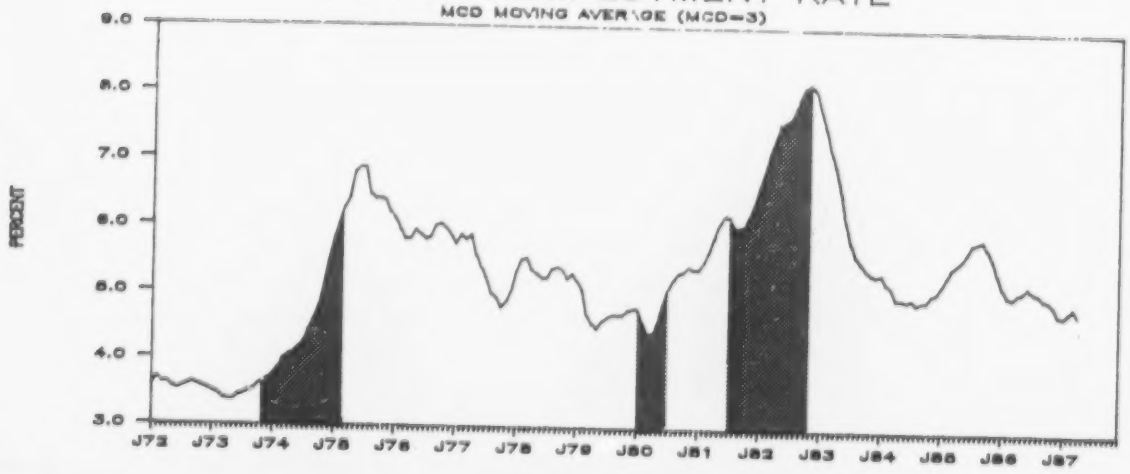
NONAG WAGE & SALARY EMPLOYMENT



MANUFACTURING EMPLOYMENT

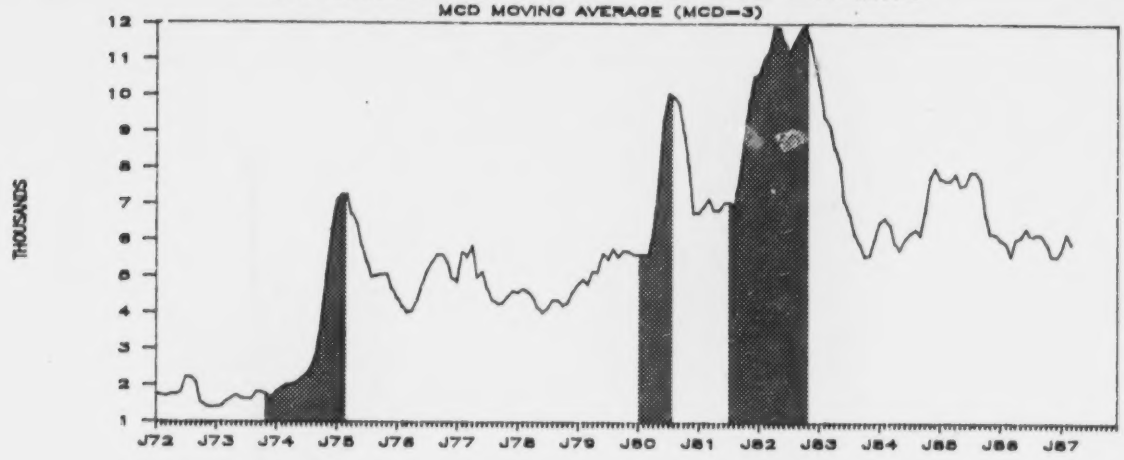


TOTAL UNEMPLOYMENT RATE



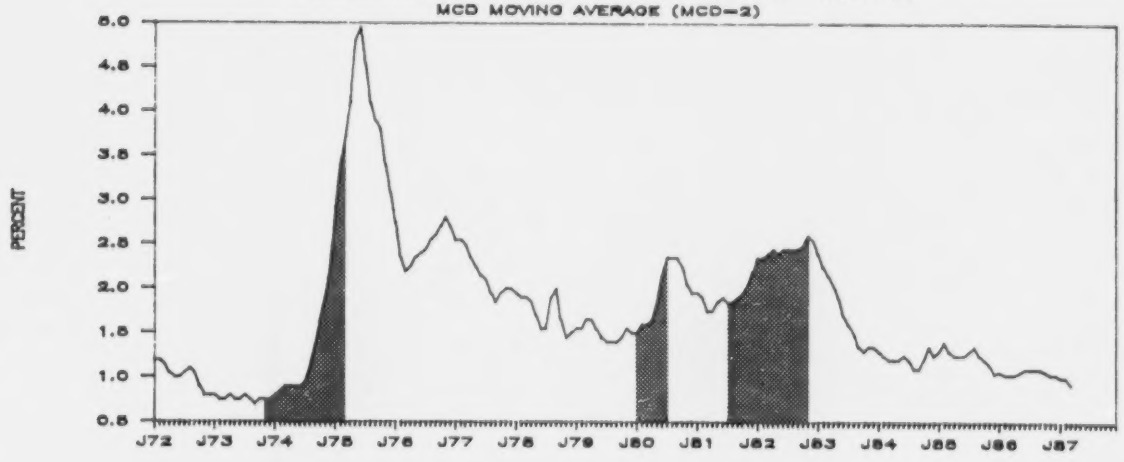
AVERAGE WEEKLY INITIAL CLAIMS

MCD MOVING AVERAGE (MCD=3)



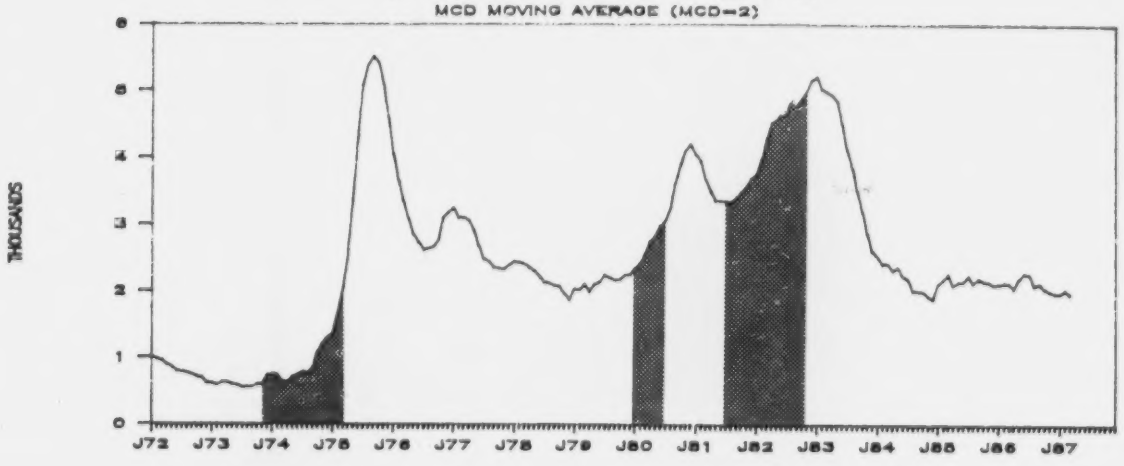
INSURED UNEMPLOYMENT RATE

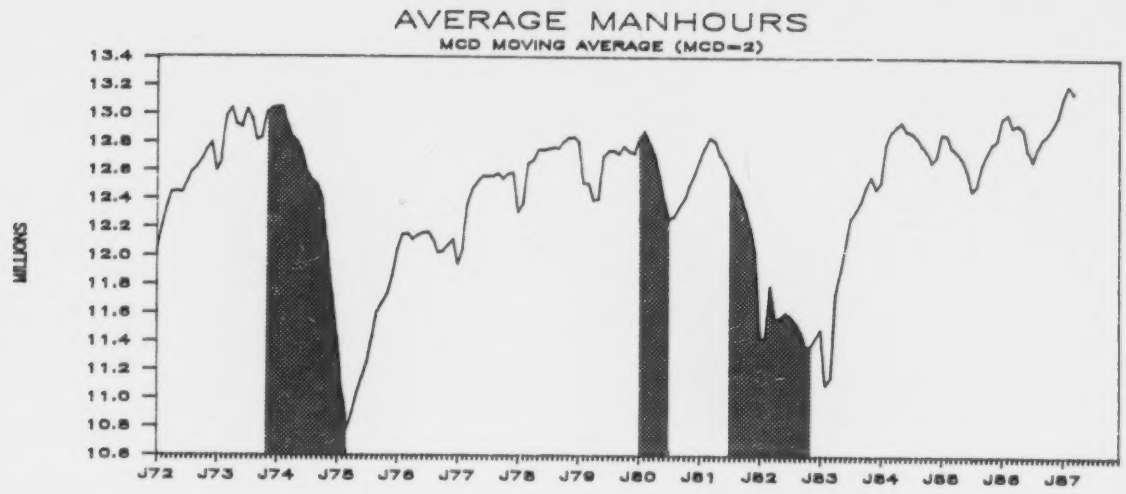
MCD MOVING AVERAGE (MCD=2)

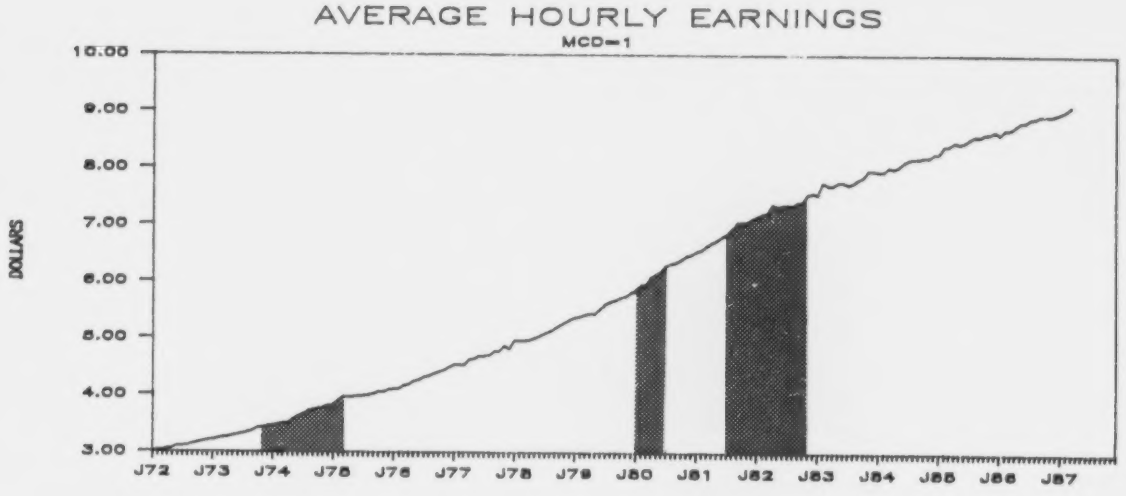


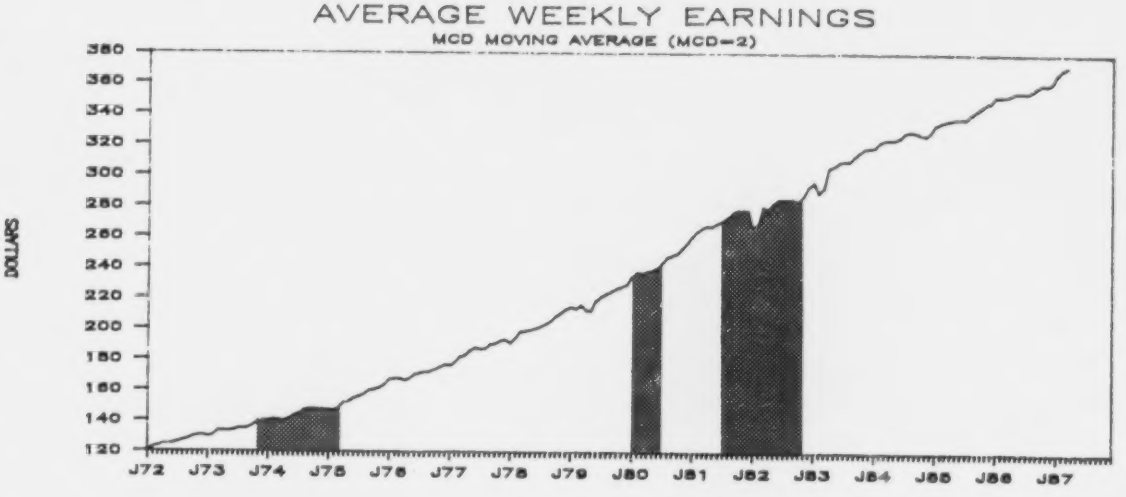
U. I. FINAL PAYMENTS

MCD MOVING AVERAGE (MCD=2)



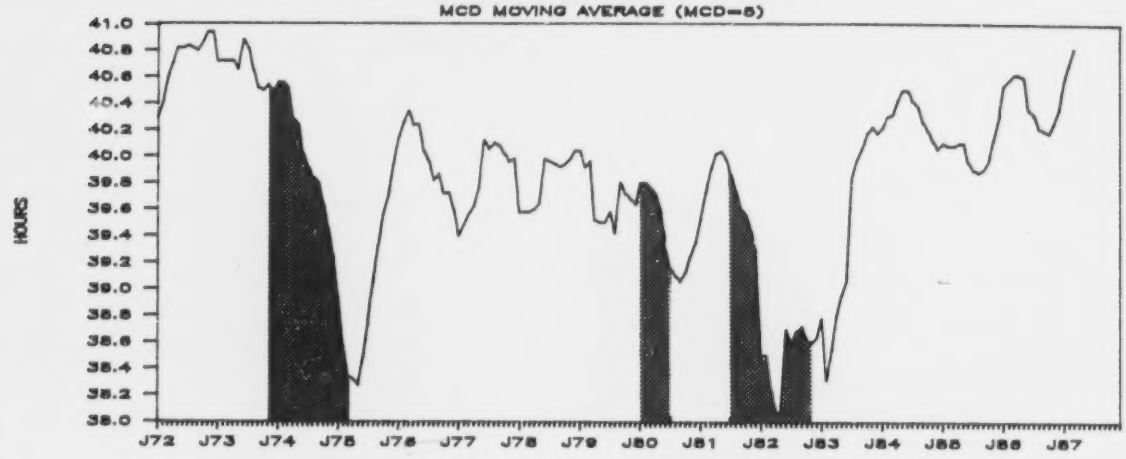

AVERAGE MANHOURS
MCD MOVING AVERAGE (MCD=2)
MILLIONS
13.4
13.2
13.0
12.8
12.6
12.4
12.2
12.0
11.8
11.6
11.4
11.2
11.0
10.8
10.6
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87


AVERAGE HOURLY EARNINGS
MCD=1
DOLLARS
10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87


AVERAGE WEEKLY EARNINGS
MCD MOVING AVERAGE (MCD=2)
DOLLARS
380
360
340
320
300
280
260
240
220
200
180
160
140
120
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87

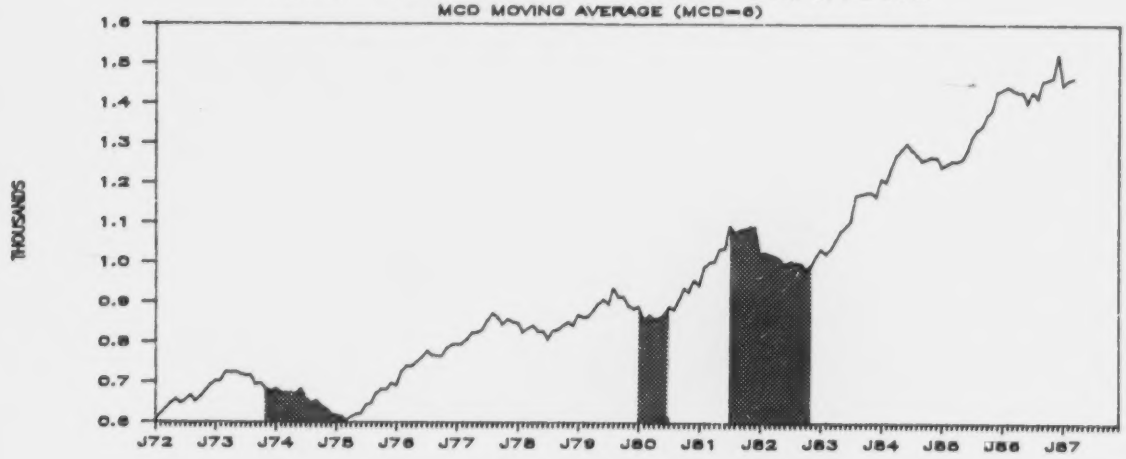
AVERAGE WORKWEEK

MCD MOVING AVERAGE (MCD=6)



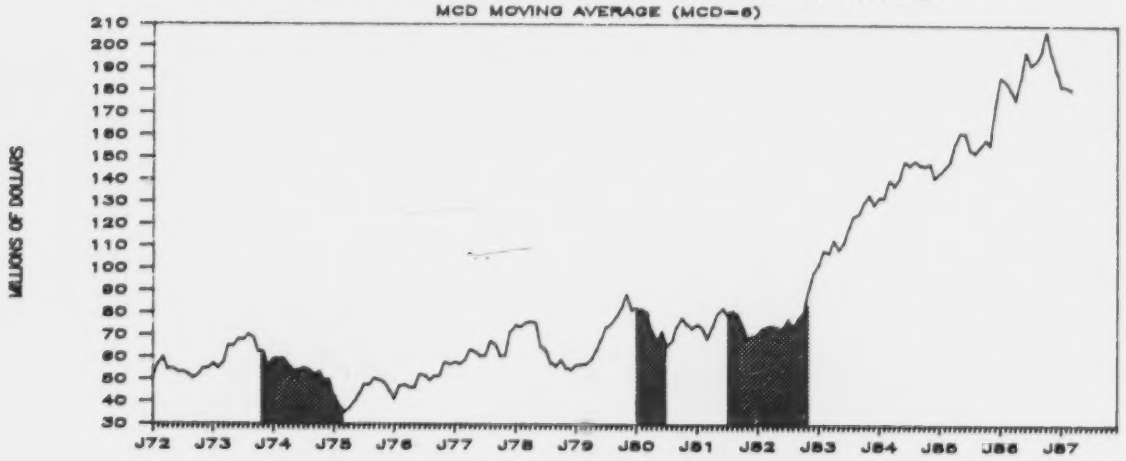
NEW BUSINESS INCORPORATIONS

MCD MOVING AVERAGE (MCD=6)



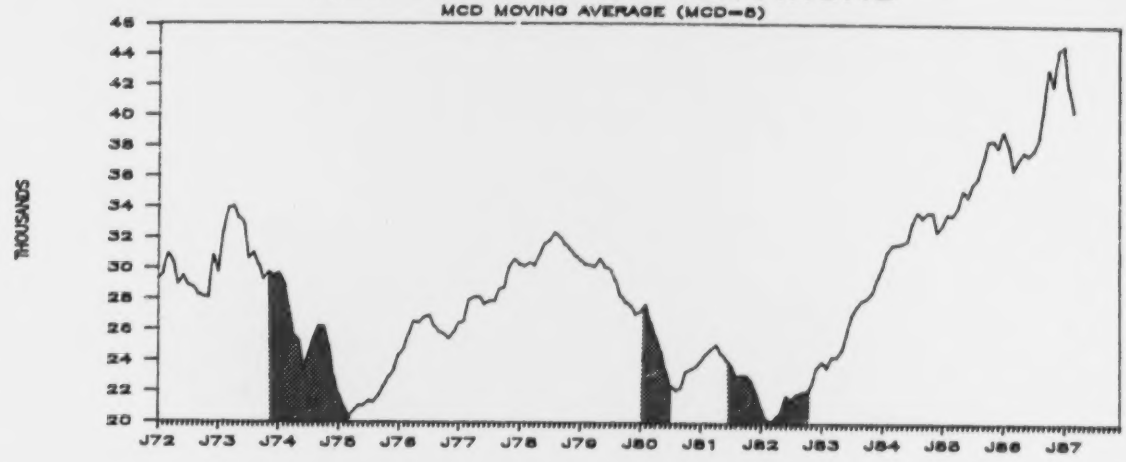
VALUATION OF BUILDING PERMITS

MCD MOVING AVERAGE (MCD=6)



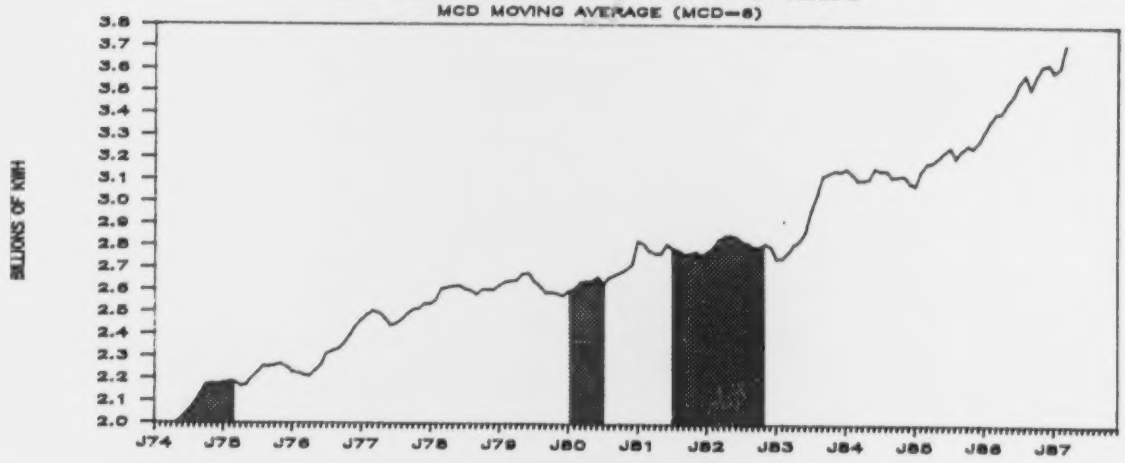
NEW VEHICLE REGISTRATIONS

MCD MOVING AVERAGE (MCD=6)



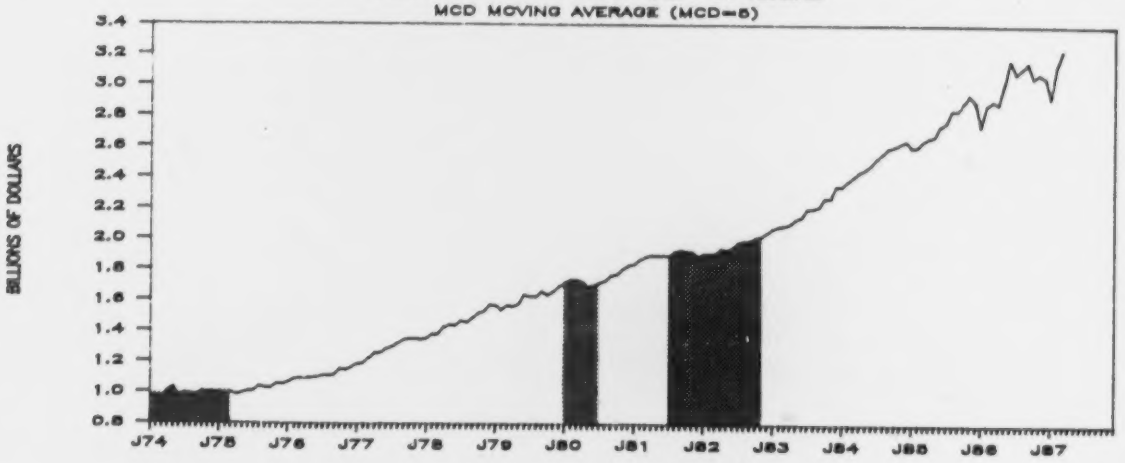
ELECTRICAL POWER SALES

MCD MOVING AVERAGE (MCD=6)



TAXABLE RETAIL SALES

MCD MOVING AVERAGE (MCD=6)



TAXABLE RETAIL SALES/CPI
MCD MOVING AVERAGE (MCD=6)
1967 DOLLARS (BILLIONS)
1.00
0.95
0.90
0.85
0.80
0.75
0.70
0.65
0.60
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86
J87

Virginia Employment Commission
Economic Information Services Division
Post Office Box 1358
Richmond, Virginia 23211

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BULK RATE U.S. POSTAGE PAID PERMIT NO. 1657

Virginia Employment Commission

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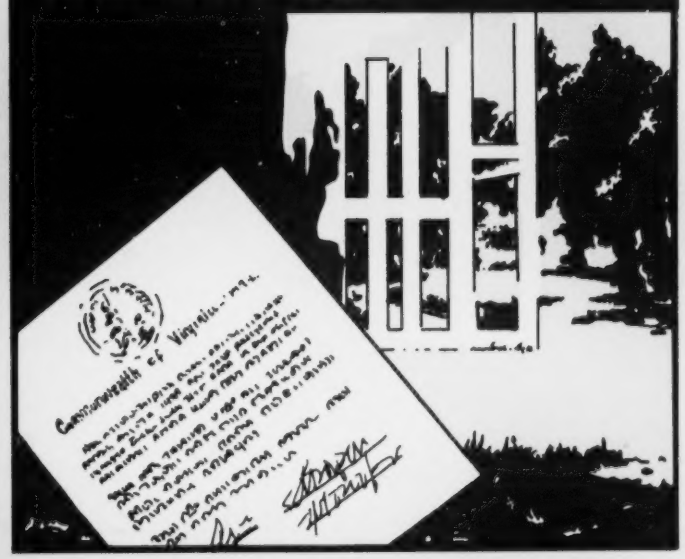
11/4/87

VIRGINIA ECONOMIC INDICATORS

VOL XIX NO.

2nd QUARTER 1987 DATA

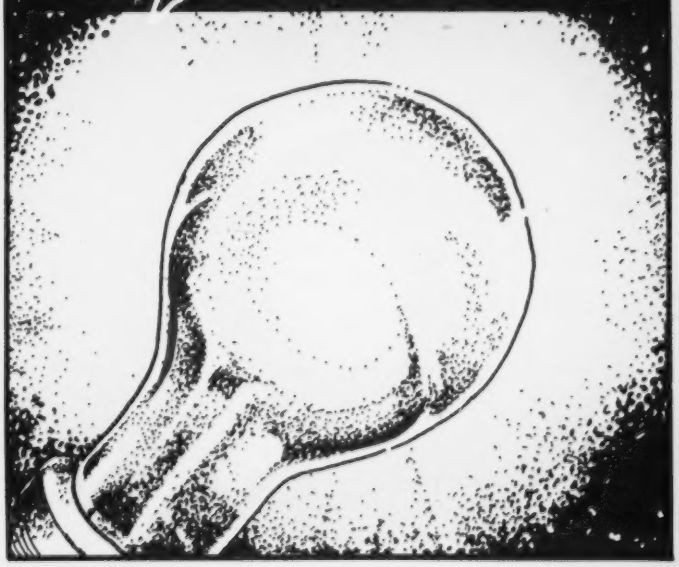
BUILDING PERMITS



NEW VEHICLE REGISTRATION

MANUFACTURING EMPLOYMENT

SALES OF ELECTRICAL POWER



Virginia Employment Commission

FOREWORD

This publication is designed to depict the movement of Virginia's key economic indicators in graphic and tabular form with accompanying narrative analysis.

We welcome any comments, suggestions, or questions concerning Virginia Economic Indicators. Please contact Dewey T. Oakley, Director, Economic Information Services Division, P. O. Box 1358, Richmond, Virginia 23211, telephone (804) 786-7496, for additional information or explanation of the contents of this document.

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ECONOMIC OUTLOOK - U. S.

Second Quarter Data Sends Mixed Signals

- Second quarter's 2.3 percent rise in Gross National Product (GNP) was a little better than expected, but sharply down from first quarter's 4.4 percent growth rate. Much of the lower expansion rate could be tied to automakers trying to reduce excessive inventories built up in the first quarter. A sharp rise in defense spending helped the second quarter to come out as good as it did. Actually the 2.3 percent increase is right in line with the modest rate of growth experienced since mid-1984. A further reduction in auto inventories may pull GNP down even more in the third quarter. Even with the weak third quarter, GNP should still average close to the projected 2.4 percent annual rate for 1987.

- The U. S. unemployment rate fell to 6.0 percent, the lowest rate in 7 1/2 years.

- U. S. housing starts fell throughout the first half of the year and will be hindered by the recent increase in mortgage interest rates.

- U. S. consumer spending, particularly for durable goods, remains flat. Orders have been erratic thus far in 1987, but the trend in manufacturing is moderately upward, reflecting increased export orders in some industries and a modest displacement of imports in others. Manufacturing overall is benefiting from the weaker dollar, especially business equipment and nondurables.

- Despite a recent increase in spot market prices, oil prices should settle down to $18-$20 per barrel. (This assumes no significant disruption of Persian Gulf oil supplies.) The recent run-up in prices was the result of Middle East tensions rather than any change in demand. Crude oil prices are unlikely to rise further.

- Inflation will average 4.0 to 4.5 percent for 1987. Food prices will rise due to the drought in the eastern United States wage inflation will be dampened by weak unions and the desire to be internationally competitive.

- Recent inflation jitters in the financial markets from spurts in commodity prices have receded as:

  - 1987 unit labor costs are forecasted to rise only 2.3 percent, no different from 1986,

  - weak domestic demand for commodities, and

  - willingness of importers to eat margins to hold dollar depreciation-based price increases in check,

  suggest inflation will return to the 4-5 percent level. Lagging plant and equipment outlays continue to retard GNP growth despite low inflation. Actually, capital spending may show some improvement in the second half of 1987 as the initial impact of tax reform wears off.

- While the U. S. dollar has strengthened against most currencies recently, the trend should still be downward over the next two years.

  - Part of this strengthening was by design. As a result of the Paris accord in February, the Federal Reserve and foreign central banks intervened heavily in support of the dollar.

  - The sharp rise in long-term U. S. interest rates earlier this year helped to improve the desirability of putting assets in dollars. Rising U. S. interest rates caused a return of foreign private investors in May, June, and July.

  - The lack of a fundamental reason for a higher dollar will soon bring about a decline. The Federal Reserve is unlikely to allow interest rates to rise much more in the near term.

  - The persistently large U. S. trade deficit over the next couple of years means that the oversupply of dollars in the world economy will continue to exert strong downward pressures on the value of the dollar.

ECONOMIC OUTLOOK - VIRGINIA

Virginia Continues Above Average Performance

- Nonfarm employment has maintained a 3 percent growth rate in 1987. The unemployment rate is running 0.3 percent below 1986. The last half of 1987 may see some of the lowest jobless rates in over a decade.

- The dollar decline has benefited Virginia's manufacturers, particularly chemicals, plastics, and textiles.

- Two decisions by the State legislature will benefit consumption in the State. First, the new tax law resulted in a slight increase in take-home pay for most workers. Secondly, an across-the-board pay increase for state employees will result in an after-tax injection of approximately $30 million.

James P. Wilson and William F. Mezger

HIGHLIGHTS
VIRGINIA ECONOMIC INDICATORS
Second Quarter 1987

- During Second Quarter 1987, two of the Virginia economic indicator series set all-time records on a seasonally adjusted basis.
  - Nonagricultural wage and salary employment climbed to a high of 2,625,500 in April. This was 3.4 percent above the April 1986 level.
  - Electric power sales soared to 3,900.9 million kilowatt hours in June as hot, humid summer weather settled in early and kept air conditioners humming.
- While not an all-time record, unemployment insurance final payments dropped to a 13-year low of 1,404 in May, as Virginia was currently experiencing a high level of economic activity.
- Due to the high level of employment, a number of industrial sectors were breaking new ground in the second quarter.
  - Services was Virginia's largest employer in the second quarter with a record level of 613,500 workers in June.
  - With its concentrations of workers in Northern Virginia and Tidewater, total government continued to be Virginia's third largest employing industry, providing a record 536,300 jobs in June.
  - The summer travel season got off to a good start with a record 142,000 jobs recorded in June in Virginia's transportation and public utilities industry.
  - Record job levels were registered in finance, insurance, and real estate with 139,700 workers on payrolls in June.
- Construction employment, while not yet up to the August 1986 all-time record, was running 2.2 percent ahead of last June for the highest June level ever.
- With the overall high level of business activity, wholesale and retail trade, the State's second largest employing division, was at an unusually high summertime level of 606,900 jobs, a figure surpassed only during last year's peak Christmas season.
- Virginia's gain in nonfarm personal income between the fourth quarter last year and first quarter this year was the tenth best in the country, figures from the U. S. Department of Commerce show. The department said that total nonfarm personal income in the State amounted to $92.632 billion in the first quarter, up 6.3 percent from $87.108 billion in the first quarter last year. The national gain during the same period was only 4.5 percent. The State's nonfarm personal income for the first quarter also was 1.8 percent ahead of the fourth quarter total of $90.96 billion; the national average increase between the two quarters was 1.5 percent. The 1.8 percent gain was based on strong increases in income in services (+2.3 percent), government (+2.5 percent), and construction (+1.3 percent).
- In 1986, median family income in Virginia was projected to be $31,148, according to the Tayloe Murphy Institute of the University of Virginia. The median is the middle value--half of the projected 1.6 million families in the State will have incomes exceeding it and half will have less. Although Virginia median family income was virtually the same as the national median of $19,917 in 1980, the State was projected to have exceeded the 1986 projected national median of $29,014 by 7.4 percent.
- According to the U. S. Bureau of Labor Statistics, productivity increased at a 1.3 percent annual rate during Second Quarter 1987 in the business sector, as output rose 3.0 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). During the First Quarter 1987, productivity had increased 0.5 percent. Although productivity grew more rapidly in the April-June period, output and hours increases were smaller than during first quarter.
- The CPI for All Urban Consumers (CPI-U) averaged 338.8 (1967 = 100) in Second Quarter 1987. This was 1.3 percent higher than the 334.5 average of First Quarter 1987. By contrast, falling energy prices caused a 0.2 percent drop in the CPI-U from First to Second Quarter 1986. Over the year, prices in Second Quarter 1987 averaged 3.8 percent higher than in Second Quarter 1986.
- Coal production remained one of the few segments of the Virginia economy not doing especially well. For the first five months of 1987, coal production at 51,552,000 short tons was down 10.9 percent from the similar period of last year. Although at the lowest level in 16 years, mine employment seemed to stabilize in the second quarter at 15,600 workers.

Economic Activities at Overall High Level, but Only Two Records Set in Second Quarter

Increasingly, the indicators series in general seemed to be having more difficulty sustaining their record-breaking ways of recent quarters. Even the super hot employment and earnings series which recently have pretty consistently broken new ground faltered a bit in Second Quarter 1987. All of the series played around within a fairly narrow range of all-time record levels, but could not quite seem to better themselves every month. While only two series established new records in the second quarter, the overall level of economic performance would have been considered outstanding by all past standards. This sustained good performance without overheating may be just what is needed to keep the almost five-year-old recovery going awhile longer. Nonagricultural wage and salary employment reached an all-time high of 2,625,500 in April before sliding just a bit in May and June. Electric power sales aided by a hot, humid June which kept air conditioners humming reached an all-time high of 3,900.9 million kilowatt hours. Also worth noting was the fact that unemployment insurance final payments reached a 13-year low of 1,404 in May before increasing in June.

April was the weakest month of the quarter with seven series negative, two unchanged, and six positive. May saw eight items on the upswing, one unchanged, and six down. June finished the quarter with the overall strongest performance. Nine series were positive and only six were down.

The six-month moving average of the number of rising indicators (page 8) serves to illustrate the second quarter's performance. The moving average enhances analysis because it smooths out much of the irregularity present in many of the individual series.

Indicators Have Difficulty Outdoing Recent Superlative Performances Every Month

After almost two years of continued upward movement, nonagricultural wage and salary employment faltered a bit in May on a seasonally adjusted basis. After an increase of only 100 seasonally adjusted in April, nonfarm jobs were off 0.3 percent in May, before bouncing back in June to virtually the April level. The April adjusted figure of 2,625,500 had set a new record, and on an unadjusted basis, nonfarm employment continued to increase, setting records each month of the quarter. Factory employment showed very small negative movements in both April and May before recovering almost all of the lost ground in June. In spite of the second quarter's slightly poorer performance, both employment sectors were actually at very, very high levels, hovering just below the recently set records.

The performance of the four unemployment-related indicators was spasmodic, first a little up and then a little down, and with the exception of final payments, the movement was not really of much significance. The seasonally adjusted total jobless rate fell 0.1 percent in April, gained 0.1 percent in May, then fell 0.2 percent in June to 4.7 percent. Initial claims fell slightly in April and May before rising because of the timing of unpaid summer vacation factory closings in June. The insured jobless rate held steady at a low 0.9 percent from March to May before summer furloughs bumped it up to 1.1 percent for June. Unemployment insurance final payments improved slightly in April, nose-dived to a 13-year low of 1,404 in May, then increased to 2,319 in June, the highest level in 17 months. The June final payments rise was the result of a number of shipyard workers furloughed last December exhausting benefits in June.

The four production worker series also acted erratically over a narrow range but overall were at still quite high levels. The length of the workweek held steady at 40.9 hours in April, moved up to 41.0 hours in May, then slid back to 40.7 hours in June with the beginning of the vacation period. Throughout the quarter, factory workers were averaging almost an hour of overtime per week indicating fairly strong factory back orders. The number of manhours worked was off slightly in April, rose in May, then trailed off again in June, but during the period was never more than 1.0 percent below the all-time record set in January. Both average hourly earnings and average weekly earnings drifted slightly off from their March records during the second quarter, but in both cases, the losses were small. The slightly lower second quarter earnings seemed to be partly the result of last winter's loss of a number at high paying shipyard jobs.

The five business-related series seemed to be providing much of the thrust in the second quarter. Although they generally got stronger as the quarter wore on, most were not quite up to recent records. New business incorporations fell slightly in April, but then picked up steam to finish the quarter at 1,582, a level second only to the 1,651 of December 1986. The sometimes volatile valuations of building permits fell nearly 18 percent in April, gained back much of this loss in May, and went on to finish the quarter at a very respectable $207.7 million in June. This June's level was, however, no match for the June 1986 all-time record of $301.8 million. New car registrations improved in April, dropped 11 percent in May, then finished the quarter at 41,412, a very respectable level, but not as good as the finance and tax incentive induced super sales levels of last fall and winter. While off in April, electric power sales forged ahead in May and June. The weather was largely responsible for these increases as a very hot, humid June pushed power sales to a new record of 3,900.9 million kilowatt hours. Taxable retail sales were the only indicator to forge ahead each month of the quarter although the June level of $3,590.2 million was shy of the February 1987 record of $4,169.9 million. Reduced income tax withholding under the 1987 tax schedules seemed to be propping up consumer spending in the first half of 1987 in spite of a fairly high level of consumer debt from recent record auto and housing purchases.

William F. Mezger

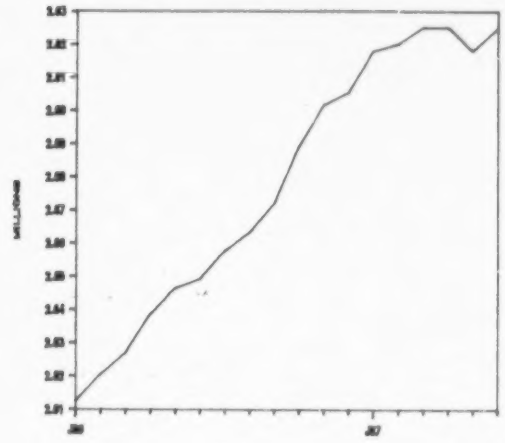
EMPLOYMENT AND UNEMPLOYMENT INDICATORS
January 1986 to June 1987

	Nonagricultural Wage & Salary Emp.* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	2,469.9	2,512.6	421.2	425.5	5.6	5.0
February	2,470.2	2,520.6	422.5	425.9	5.6	5.0
March	2,494.0	2,526.8	422.3	424.4	5.4	5.1
April	2,528.4	2,538.6	422.8	424.5	5.1	5.2
May	2,559.3	2,546.6	422.3	424.0	4.9	5.1
June	2,585.0	2,549.3	423.3	422.5	5.2	5.3
July	2,565.5	2,557.8	422.2	423.5	5.1	5.0
August	2,568.5	2,563.4	425.3	423.6	4.7	5.0
September	2,590.0	2,572.0	427.3	423.1	4.6	5.1
October	2,607.5	2,589.4	427.8	424.8	4.6	4.9
November	2,620.2	2,602.0	428.1	425.1	4.7	4.8
December	2,626.5	2,605.7	425.3	424.5	4.7	4.7
1987						
January	2,573.6	2,618.1	423.2	427.0	5.4	4.8
February	2,568.0	2,620.4	422.7	426.1	5.5	5.0
March	2,591.3	2,623.4	422.6	424.7	5.2	4.9
April	2,615.0	2,625.5	422.2	423.9	4.7	4.8
May	2,631.4	2,618.3	422.0	423.7	4.7	4.9
June	2,656.6	2,625.1	425.3	424.5	4.6	4.7

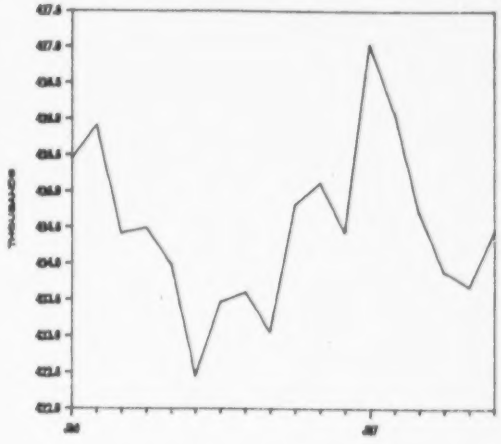
	Average Weekly Initial Claims (Number)		Avg. Wkly. Insured Unemployment Rate (Percent)		U. I. Final Payments (Number)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	8,597	5,427	1.6	1.1	2,439	2,401
February	6,258	5,778	1.4	1.0	1,888	2,009
March	5,133	5,634	1.3	1.0	2,276	1,969
April	6,049	6,812	1.1	1.1	3,089	2,194
May	4,273	5,985	0.9	1.1	2,292	1,698
June	5,266	6,284	0.9	1.1	2,186	2,213
July	6,117	6,117	1.0	1.1	2,244	2,141
August	4,323	6,247	0.9	1.1	1,739	1,941
September	3,974	6,190	0.8	1.1	1,763	2,299
October	4,366	5,478	0.8	1.0	1,504	1,923
November	4,930	5,162	0.9	1.0	1,319	1,809
December	11,709	6,143	1.2	1.1	2,007	2,205
1987						
January	9,593	6,064	1.3	0.9	1,970	1,928
February	7,054	6,484	1.3	1.0	1,849	1,963
March	4,828	5,323	1.1	0.9	2,327	2,027
April	4,484	5,055	0.9	0.9	2,661	1,882
May	3,519	4,963	0.8	0.9	1,917	1,404
June	4,810	5,733	0.9	1.1	2,268	2,319

*These series have been adjusted to First Quarter 1986 benchmarks.

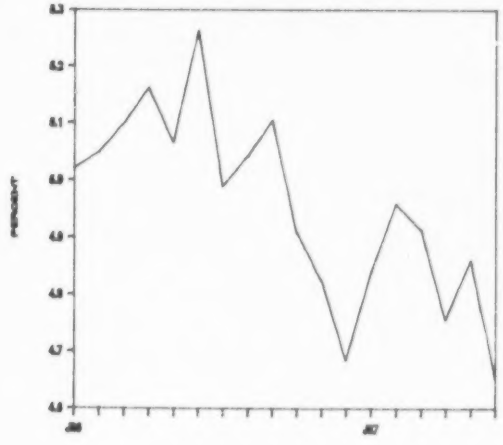
NONAG W & S EMPLOYMENT



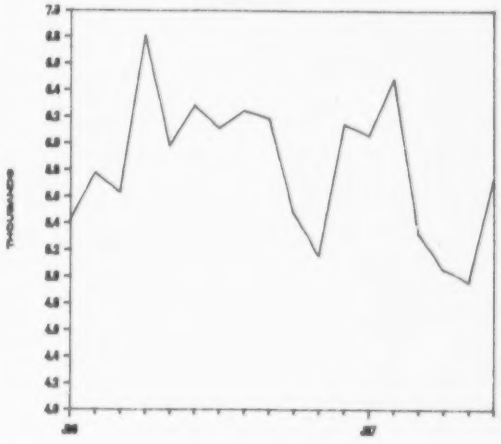
MANUFACTURING EMPLOYMENT



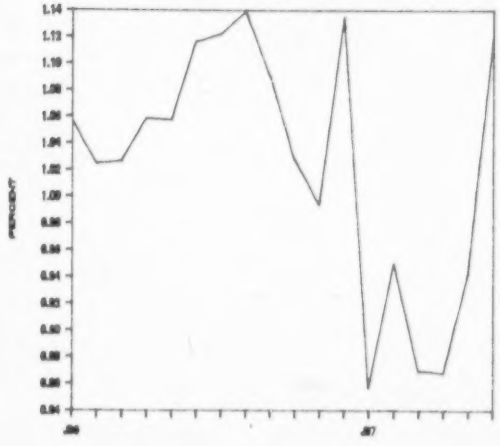
TOTAL UNEMPLOYMENT RATE



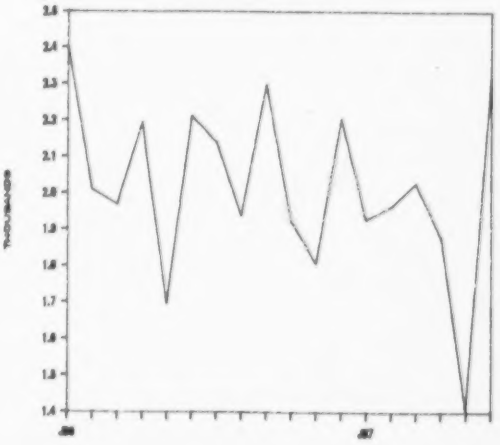
AVG. WEEKLY INITIAL CLAIMS



INSURED UNEMPLOYMENT RATE



U.I. FINAL PAYMENTS



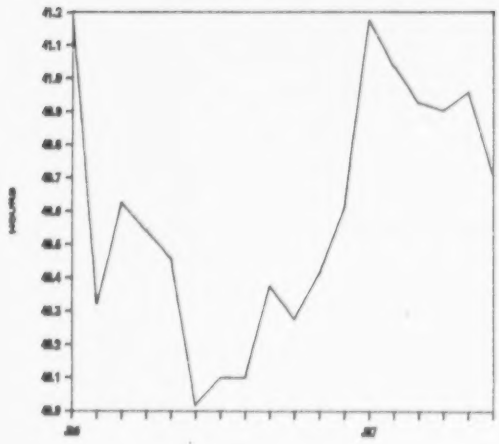
MANUFACTURING PRODUCTION WORKER INDICATORS
January 1986 to June 1987

	Average Weekly Hours* (Hours)		Average Manhours* (Thousands)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	40.6	41.2	12,867.4	13,130.0
February	39.6	40.3	12,604.7	12,901.4
March	40.3	40.6	12,753.6	12,947.8
April	40.3	40.5	12,780.8	12,936.0
May	40.5	40.5	12,824.6	12,889.0
June	40.3	40.0	12,786.4	12,634.8
July	39.9	40.1	12,644.2	12,746.2
August	40.1	40.1	12,836.3	12,823.5
September	40.7	40.4	13,093.3	12,861.8
October	40.4	40.3	13,025.7	12,896.7
November	40.9	40.4	13,219.5	12,973.0
December	41.3	40.6	13,269.8	13,022.4
1987				
January	40.6	41.2	12,987.9	13,239.4
February	40.3	41.0	12,879.9	13,183.1
March	40.6	40.9	12,959.5	13,156.9
April	40.7	40.9	12,935.4	13,079.3
May	41.0	41.0	13,076.9	13,142.1
June	41.0	40.7	13,206.4	13,049.8

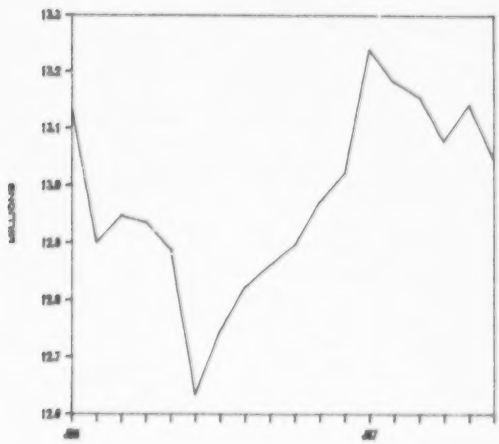
	Average Hourly Earnings* (Dollars)		Average Weekly Earnings* (Dollars)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	8.68	8.62	352.41	355.25
February	8.73	8.70	345.71	350.97
March	8.72	8.71	351.42	354.25
April	8.75	8.76	352.63	354.05
May	8.81	8.83	356.81	357.53
June	8.81	8.84	355.04	353.63
July	8.88	8.90	354.31	356.81
August	8.87	8.91	355.69	356.76
September	8.93	8.95	363.45	361.28
October	8.91	8.95	359.96	361.04
November	8.94	8.94	365.65	359.89
December	9.02	8.98	372.53	364.51
1987				
January	9.06	9.00	367.84	370.81
February	9.07	9.04	365.52	371.09
March	9.13	9.11	370.68	373.67
April	9.09	9.10	369.96	371.45
May	8.99	9.01	368.59	369.33
June	9.04	9.07	370.64	369.16

*These series have been adjusted to First Quarter 1986 benchmarks.

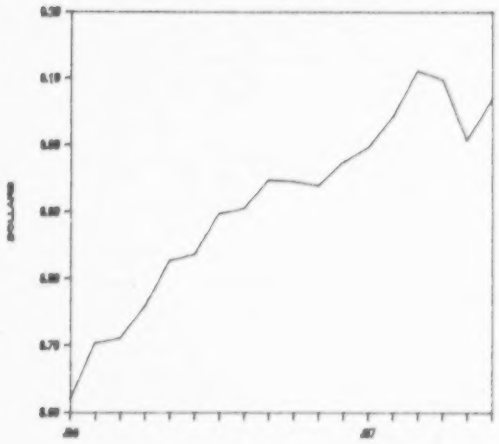
AVERAGE WEEKLY HOURS



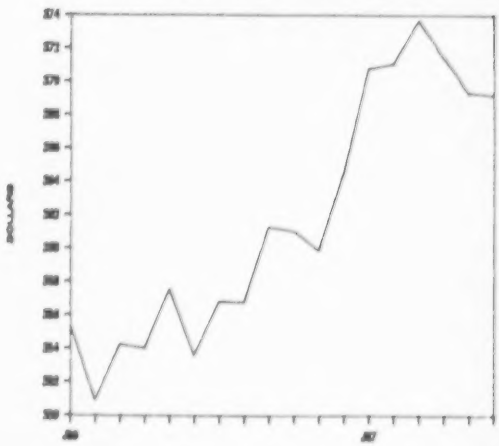
AVERAGE MANHOURS



AVERAGE HOURLY EARNINGS



AVERAGE WEEKLY EARNINGS

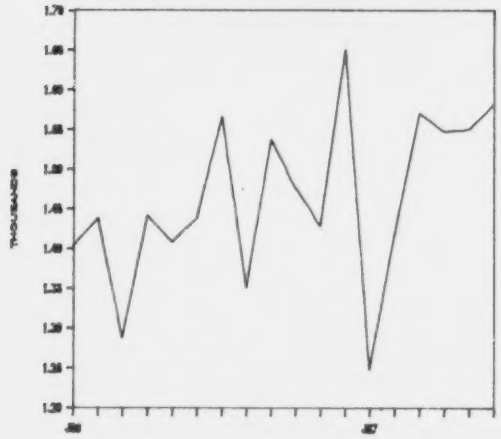


BUSINESS INDICATORS
January 1986 to June 1987

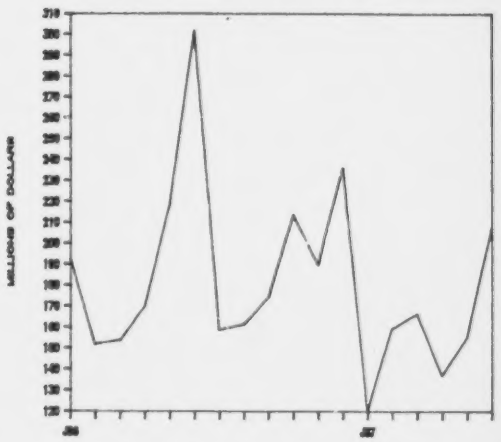
	New Business Incorporations (Number)		Valuation of Bldg. Permits ($ Millions)		New Vehicle Registrations (Number)	
1986	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	1,391	1,405	175.3	191.2	39,473	40,568
February	1,469	1,439	117.8	152.0	31,677	36,706
March	1,401	1,289	180.3	153.8	38,739	35,803
April	1,579	1,442	194.3	170.0	41,469	37,837
May	1,438	1,410	230.2	218.4	42,820	37,827
June	1,445	1,439	374.5	301.8	45,992	39,580
July	1,554	1,567	159.8	158.8	43,297	39,325
August	1,358	1,353	160.0	161.6	40,420	39,205
September	1,387	1,538	157.0	174.6	49,358	47,097
October	1,483	1,477	230.7	213.6	45,978	46,678
November	1,255	1,429	173.2	190.1	28,768	35,342
December	1,656	1,651	190.0	236.3	36,777	51,726
1987						
January	1,237	1,249	111.8	120.3	41,798	42,958
February	1,453	1,419	123.4	159.6	28,975	33,575
March	1,707	1,570	195.0	166.7	41,798	38,810
April	1,694	1,548	157.4	137.3	43,113	39,445
May	1,582	1,551	165.1	155.3	39,956	35,204
June	1,584	1,582	188.0	207.7	47,997	41,412

	Electrical Power Sales (Mil. of KWH)		Taxable Retail Sales ($ Millions)	
1986	Unadj.	Adj.	Unadj.	Adj.
January	4,062.3	3,436.8	2,144.1	2,425.5
February	3,851.7	3,476.3	2,942.0	3,428.9
March	3,654.2	3,593.1	2,958.5	3,127.4
April	3,083.0	3,362.1	2,826.4	2,913.8
May	2,918.[illegible]	3,465.7	3,482.3	3,221.4
June	3,460.5	3,600.9	3,161.5	3,171.0
July	4,065.7	3,782.0	2,993.0	3,029.4
August	4,078.7	3,677.8	3,291.6	3,275.2
September	3,386.8	3,222.5	3,028.5	3,096.6
October	3,286.4	3,755.9	3,787.4	2,711.5
November	3,198.7	3,693.6	3,349.7	3,268.0
December	3,688.6	3,710.9	3,582.1	2,891.1
1987				
January	4,142.9	3,510.9	2,388.1	2,704.5
February	4,221.3	3,809.8	3,569.4	4,169.9
March	3,879.1	3,810.5	2,985.7	3,152.8
April	3,381.9	3,692.0	3,109.4	3,208.9
May	3,177.8	3,769.6	3,472.1	3,209.0
June	3,756.6	3,900.9	3,579.4	3,590.2

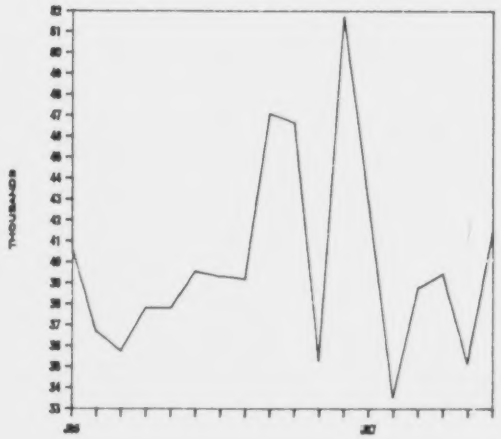
NEW BUSINESS INCORPORATIONS



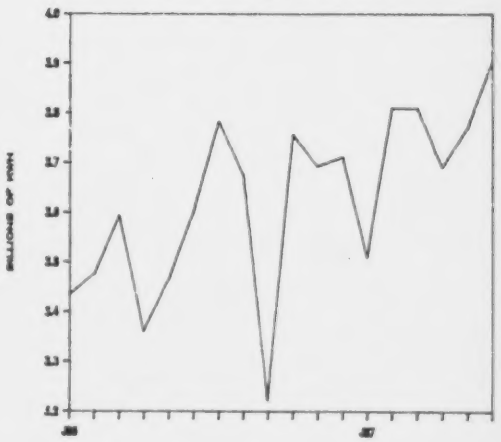
VALUATION OF BUILDING PERMITS



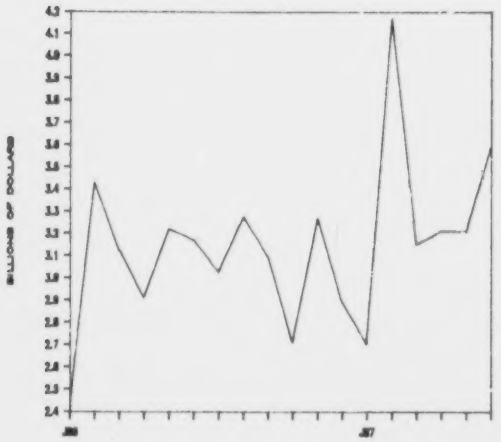
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



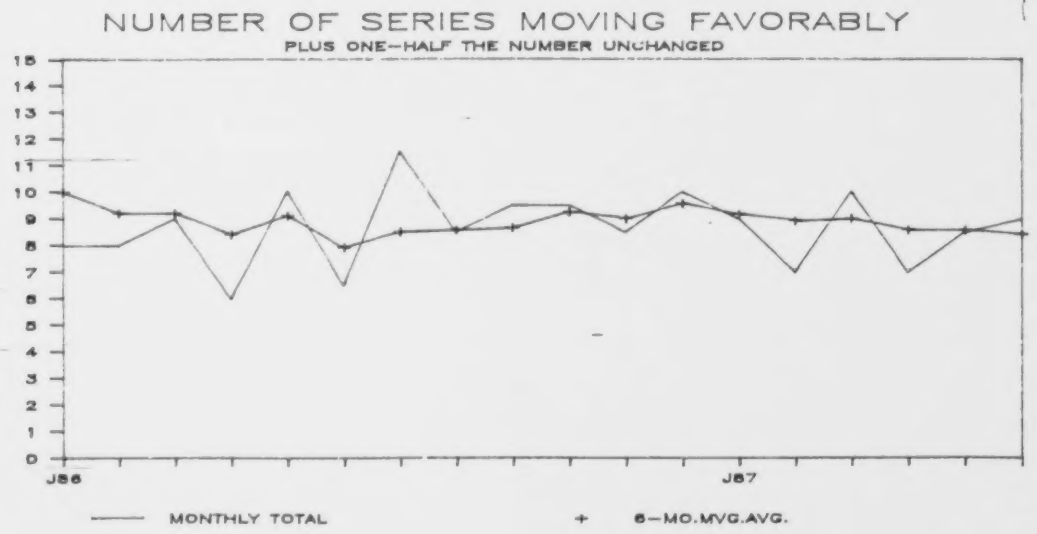
TAXABLE RETAIL SALES



DATA SUMMARY JUNE 1987 (SEASONALLY ADJUSTED DATA)	June 1987	May 1987	June 1986	Percent & (Direction) of Change 1/ May '87- June '87	 June '86- June '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,625.	2,618.3	2,549.3	0.3 (+)	3.0 (+)
*Manufacturing Employment (000)	424.5	423.7	422.5	0.2 (+)	0.5 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.7	4.9	5.3	xxx (+)	xxx (+)
Average Weekly Initial Claims	5,733	4,963	6,284	15.5 (-)	- 8.8 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	0.9	1.1	xxx (-)	xxx (0)
Unemployment Insurance Final Payments	2,319	1,404	2,213	65.2 (-)	4.8 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.7	41.0	40.0	- 0.7 (-)	1.8 (+)
*Average Manhours (000)	13,049.8	13,142.1	12,634.8	- 0.7 (-)	3.3 (+)
*Average Hourly Earnings ($)	9.07	9.01	8.84	0.7 (+)	2.6 (+)
*Average Weekly Earnings ($)	369.16	369.33	353.63	0.0 (-)	4.4 (+)
BUSINESS					
New Business Incorporations	1,582	1,551	1,439	2.0 (+)	9.9 (+)
Valuation of Building Permits - 18 Cities ($M)	207.7	155.3	301.8	33.7 (+)	-31.2 (-)
New Vehicle Registrations	41,412	35,204	39,580	17.6 (+)	4.6 (+)
Electrical Power Sales (M of KWH)	3,900.9	3,769.6	3,600.9	3.5 (+)	8.3 (+)
Taxable Retail Sales ($M)	3,590.2	3,209.0	3,171.0	11.9 (+)	13.2 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)
* Revised to First Quarter 1986 benchmarks

SUMMARY



DATA SUMMARY
MAY 1987
(SEASONALLY ADJUSTED DATA)

	May 1987	Apr. 1987	May 1986	Percent & (Direction) of Change 1/ Apr. '87- May '87	May '86- May '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,618.3	2,625.5	2,546.6	- 0.3 (-)	2.8 (+)
*Manufacturing Employment (000)	423.7	423.9	424.0	0.0 (-)	- 0.1 (-)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.9	4.8	5.1	xxx (-)	xxx (+)
Average Weekly Initial Claims	4,963	5,055	5,985	- 1.8 (+)	-17.1 (+)
Average Weekly Insured Unemployment Rate (%)	0.9	0.9	1.1	xxx (0)	xxx (+)
Unemployment Insurance Final Payments	1,404	1,882	1,698	-25.4 (+)	-17.3 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.0	40.9	40.5	0.2 (+)	1.2 (+)
*Average Manhours (000)	13,142.1	13,079.3	12,889.0	0.5 (+)	2.0 (+)
*Average Hourly Earnings ($)	9.01	9.10	8.83	- 1.0 (-)	2.0 (+)
*Average Weekly Earnings ($)	369.33	371.45	357.53	0.0 (-)	3.3 (+)
BUSINESS					
New Business Incorporations	1,551	1,548	1,410	0.2 (+)	10.0 (+)
Valuation of Building Permits - 18 Cities ($M)	155.3	137.3	218.4	13.1 (+)	-28.9 (-)
New Vehicle Registrations	35,204	39,445	37,827	-10.8 (-)	- 6.9 (-)
Electrical Power Sales (M of KWH)	3,769.6	3,692.0	3,465.7	2.1 (+)	8.8 (+)
Taxable Retail Sales ($M)	3,209.0	3,208.9	3,221.4	0.0 (+)	- 0.4 (-)

DATA SUMMARY
APRIL 1987
(SEASONALLY ADJUSTED DATA)

	Apr. 1987	Mar. 1987	Apr. 1986	Percent & (Direction) of Change 1/ Mar. '87- Apr. '87	Apr. '86- Apr. '87
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,625.5	2,625.4	2,538.6	0.0 (+)	3.4 (+)
*Manufacturing Employment (000)	423.9	424.7	424.5	0.0 (-)	- 0.1 (-)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.8	4.9	5.2	xxx (+)	xxx (+)
Average Weekly Initial Claims	5,055	5,323	6,812	- 5.0 (+)	-25.8 (+)
Average Weekly Insured Unemployment Rate (%)	0.9	0.9	1.1	xxx (0)	xxx (+)
Unemployment Insurance Final Payments	1,882	2,027	2,194	- 7.2 (+)	-14.2 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.9	40.9	40.5	0.0 (0)	1.0 (+)
*Average Manhours (000)	13,079.3	13,156.9	12,936.0	- 0.6 (-)	1.1 (+)
*Average Hourly Earnings ($)	9.10	9.11	8.76	- 0.1 (-)	3.9 (+)
*Average Weekly Earnings ($)	371.45	373.67	354.05	0.0 (-)	4.9 (+)
BUSINESS					
New Business Incorporations	1,548	1,570	1,442	- 1.4 (-)	7.4 (+)
Valuation of Building Permits - 18 Cities ($M)	137.3	166.7	170.0	-17.6 (-)	-19.2 (-)
New Vehicle Registrations	39,445	38,810	37,837	1.6 (+)	4.2 (+)
Electrical Power Sales (M of KWH)	3,692.0	3,810.5	3,362.1	- 3.1 (-)	9.8 (+)
Taxable Retail Sales ($M)	3,208.9	3,152.8	2,913.8	1.8 (+)	10.1 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)
* Revised to First Quarter 1986 benchmarks

THE VIRGINIA LEADING AND COINCIDENT INDEXES

1986	Leading Index (1977=100)	Monthly Percent Change	Quarterly Percent Change	Coincident Index (1977=100)	Monthly Percent Change	Quarterly Percent Change
January	152.8	+1.4	--	131.6	-0.9	--
February	153.4	+0.4	+3.5	132.3	+0.5	+0.2
March	154.0	+0.4	--	133.6	+1.0	--
April	153.5	-0.4	--	134.0	+0.3	--
May	154.5	+0.7	+0.3	135.4	+1.0	+2.2
June	154.1	-0.3	--	136.7	+1.0	--
July	154.6	+0.4	--	138.4	+1.2	--
August	154.4	-0.2	+0.7	138.4	+0.1	+2.2
September	155.8	+0.9	--	138.4	-0.1	--
October	157.0	+0.8	--	138.7	+0.2	--
November	157.8	+0.5	+2.0	139.4	+0.5	+0.4
December	159.2	+0.9	--	138.9	-0.3	--
1987						
January	158.4	-0.5	--	138.6	-0.2	--
February	158.8	+0.2	+0.6	140.2	+1.1	+0.8
March	159.9	+0.7	--	140.4	+0.2	--
April	160.6	+0.4	--	141.2	+0.5	--
May	162.2	+1.0	+1.6	140.4	-0.6	+1.0
June	161.6	-0.4	--	141.7	+0.9	--

The Virginia leading and coincident indexes showed improved performances in the Second Quarter 1987 compared with the first quarter. Unlike the first quarter, unusual weather factors had little to do with the performances of the indexes and, therefore, the strength of the State's economy can be more accurately assessed for this period. It would appear that Virginia is continuing to outpace the nation if our indexes are accepted as a comparable barometer. The Virginia leading and coincident indexes rose by 1.6 percent and 1.0 percent respectively compared with the corresponding U. S. rates of 1.4 percent and 0.3 percent.

Movement among the components of the leading index points to changes in the driving forces behind the State's economy. The building boom which ignited employment and income growth in many parts of Virginia during the earlier recovery phase seems to have lost some steam over the past two quarters. The six-month moving average of building permits, expressed in 1982 dollars, has dropped by 15.8 percent from the same period last year. Housing starts in Virginia show a similar pattern, dropping by 20 percent over the year. With higher interest rates likely in the months ahead, it would appear that the boom is over, at least for now. It may well be that the star for 1987 will be the manufacturing sector. The five-month moving average of hours worked by manufacturing production workers ranged around 41 hours during the second quarter, a level rarely attained in Virginia. Initial claims for unemployment insurance claimants were the lowest in several years reflecting, in part, the unusually low level of manufacturing layoffs experienced this period. Virginia manufacturers have enjoyed the benefit of a weaker dollar and less foreign competition during the past year, but additional moves by the Federal Reserve to strengthen the dollar may undermine the current prosperity.

The components of the coincident index showed a balanced performance throughout the second quarter. The industrial index moved up, underlining manufacturing strength while retail sales, in 1967 dollars, indicated carefree spending attitudes among Virginia consumers.

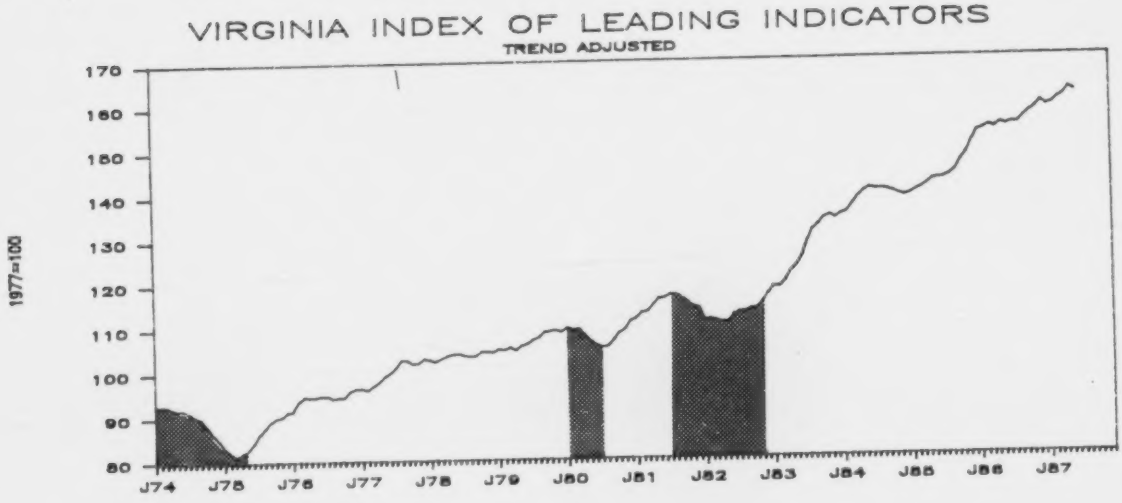
Below are estimates of State personal income through Second Quarter 1987.

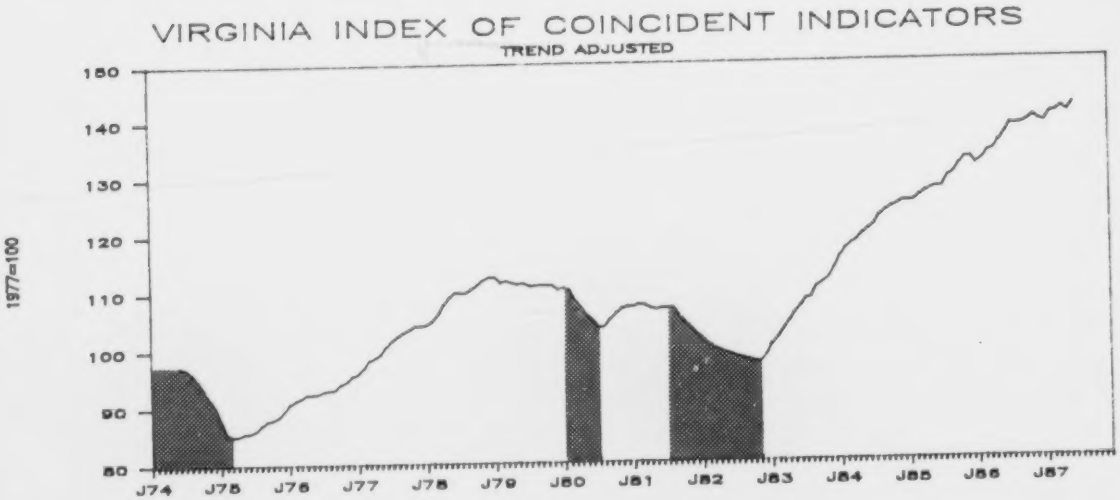
1986	Total Personal Income Millions	Transfer Payments Millions	Real Personal Income (82$) Millions	Transfer Payments (82$) Millions
1st Qtr	$87,156	$11,632	$76,650	$10,230
2nd Qtr	88,321	11,732	77,880	10,350
3rd Qtr	89,624	11,909	78,341	10,410
4th Qtr	91,067	11,966	78,981	10,380
1987				
1st Qtr	92,749	12,160	79,403	10,417
2nd Qtr (projected)	94,500	12,470	80,020	10,559

Source: Bureau of Economic Analysis, U. S. Department of Commerce

Note: All personal income data reflects seasonally adjusted annual rates.

Alex B. Valz


VIRGINIA INDEX OF LEADING INDICATORS
TREND ADJUSTED
1977=100
170
160
150
140
130
120
110
100
90
80
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86
J87


VIRGINIA INDEX OF COINCIDENT INDICATORS
TREND ADJUSTED
1977=100
150
140
130
120
110
100
90
80
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86
J87

A REVIEW OF SIGNIFICANT ECONOMIC HAPPENINGS IN VIRGINIA IN THE PAST 15 YEARS, 1972-1987, TO COMMEMORATE THE VIRGINIA LABOR FORCE REACHING 3 MILLION

In June of Second Quarter 1987, the Virginia economy reached a major milestone with the State's labor force passing the 3 million mark for the first time ever. From a historic perspective, Virginia's labor force reached 1 million during World War II and then took almost 30 years to reach 2 million. The third million was added in the 15-year span from 1972-1987.

To commemorate the occasion of a 3 million Virginia labor force, this quarter's Economic Indicators feature article reviews the significant economic happenings in Virginia in the past 15 years.

1972-1987 in Virginia

- The Virginia labor force has increased by 50 percent from 2 million in 1972 to 3 million now.
- Nonagricultural employment has increased 58 percent from 1.6 million then to 2.6 million now.
- The rapid expansions of services (+147 percent) and trade (+79 percent) have accounted for much of the 15-year employment growth. Combined trade and services employment, which now provides 1.2 million Virginia jobs, accounts for 46 percent of nonfarm employment compared with 37 percent in 1972.
- Important milestones in the growth of the State's key tourist service industry were the openings in 1975 of two large theme parks, King's Dominion, north of Richmond, and Busch Gardens, near Williamsburg, which along with Colonial Williamsburg, the beaches, mountains, and historic homes make Virginia a tourist mecca for the nation, particularly the Northeast.
- Government which had been Virginia's second largest employer in 1972 has dropped to third place, still 21 percent of Virginia's workers are employed in government. With many defense installations in Virginia, particularly in the Tidewater and Northern Virginia areas, government is really an "export" industry for Virginia. Approximately 300,000 Virginia residents are civilian federal employees plus there are about 180,000 military personnel stationed in the State. Although federal civilian employment nationally has increased less than nine percent since 1972, Virginia civilian residents employed by the federal government have grown by 20 percent since that time because of the recent military build-up and the defense nature of most Virginia federal installations.
- Virginia has also been a leader in the production of defense equipment. As it did in World War II and the Korean and Vietnam conflicts, Virginia has played a key role in the 1980s in the refurbishment of the navy. After fairly lean times in the post-Vietnam era of the late 1970s, Tidewater shipbuilders helped propel the State's economy out of the 1981-82 recession much faster than the rest of the country. Transportation equipment, which includes the State's key shipbuilding industry, increased employment by 32 percent from 1972 to 1987 to become Virginia's largest manufacturing industry.
- Due to the importance of its defense industry, Virginia manufacturing employment has grown almost 10 percent over the fifteen years, while U. S. manufacturing, plagued by competition from low cost foreign producers has seen jobs decline by 1.0 percent. Virginia manufacturing because of the rapid growth of trade and services has, however, fallen from the State's largest employing division to fourth place with 425,000 workers currently.
- Virginia manufacturers bounced back from the two most severe recessions of the post-war period in 1975 (a temporary 7 percent loss in employment) and 1981-82 (a temporary 4 percent loss in employment) although not all industries or employers regained their former status. The 1975 recession, a deep but brief recession, was brought on by world-wide supply shortages and the energy crunch. The 1981-82 recession, less severe but more prolonged, was caused by energy problems, high inflation, high interest rates, and the technological emergence of foreign producers. Virginia because of its manufacturing diversity, rode out the recessions of the 1970s and 1980s better than most states.
- Legislation and court decisions made Virginia manufacturers more conscious of the environment and product liabilities. Large sums of money were spent by Virginia plants in the 1970s to upgrade environmental standards. The Kepone contamination of the James River in 1975 and the Dalkon Shield case of the 1980s drew the attention of the national media.
- The two recessions caused ups and downs for Virginia's building industry. The construction job level rose from 117,000 in 1972 to 133,000 in 1974. Employment fell 21,000 in the 1975 recession and did not surpass its former level until early 1979. Rising interest rates and the 1981-82 recession then caused a 25 percent employment loss, but by 1985 employment had again reached the 1979 peak of 138,000. Between 1985 and 1987, falling interest rates and the good economy increased construction employment 23 percent to over 170,000 jobs currently.
- Hampton Roads ports continued to grow and remain competitive with other major East Coast ports during the period. The shift to containerized cargo and mechanized cargo handling greatly altered port operations. Hampton Roads also developed a significant cruise business.

(Narrative continued on page 14)

LABOR FORCE AND EMPLOYMENT GROWTH IN VIRGINIA
1972 - 1987

Labor Force Statistics
(In Thousands)

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
1972	2,038.0	1,966.0	73.0	3.6
1973	2,088.0	2,014.0	74.0	3.6
1974	2,183.0	2,084.0	99.0	4.5
1975	2,282.0	2,135.0	147.0	6.4
1976	2,343.0	2,205.0	138.0	5.9
1977	2,407.0	2,279.0	128.0	5.3
1978	2,485.0	2,352.0	133.0	5.4
1979	2,526.0	2,407.0	119.0	4.7
1980	2,561.0	2,433.0	128.0	5.0
1981	2,605.0	2,447.0	159.0	6.1
1982	2,650.0	2,446.0	204.0	7.7
1983	2,722.0	2,557.0	165.0	6.1
1984	2,838.0	2,695.0	143.0	5.0
1985	2,857.0	2,696.0	160.0	5.6
1986	2,885.0	2,740.0	145.0	5.0
1987 (June)	3,018.0	2,879.0	139.0	4.6

NONAGRICULTURAL EMPLOYMENT BY MAJOR DIVISION
(In Thousands)

Year	Total	Manufacturing	Mining	Construction	Transportation & Utilities	Wholesale and Retail Trade	Finance, Insurance, & Real Estate	Services	Government
1972	1,655.2	387.8	16.1	116.9	100.9	336.2	74.4	242.9	380.0
1973	1,753.4	401.8	16.2	131.1	104.1	361.8	80.8	266.4	391.2
1974	1,804.3	401.9	18.1	132.9	106.2	368.6	84.3	286.4	405.9
1975	1,778.7	371.5	20.9	112.0	102.6	368.0	84.0	296.9	422.8
1976	1,848.1	387.7	21.8	111.8	104.4	386.7	86.3	312.8	436.6
1977	1,930.4	400.8	22.0	119.0	105.9	405.6	91.7	331.8	453.6
1978	2,033.5	409.4	20.5	130.2	107.6	428.1	97.1	357.9	482.7
1979	2,115.0	413.8	23.3	138.4	114.2	443.9	104.4	383.5	493.5
1980	2,157.2	413.8	22.7	128.3	115.8	451.2	105.9	408.3	511.2
1981	2,160.8	414.0	21.7	116.3	117.6	460.4	106.1	418.3	506.6
1982	2,146.4	397.2	22.1	103.8	119.0	462.4	106.9	434.8	500.1
1983	2,206.9	403.6	17.4	113.9	120.4	480.2	110.1	460.4	500.9
1984	2,333.3	421.3	18.3	132.8	127.2	516.5	117.1	495.1	505.0
1985	2,454.7	423.4	17.3	152.0	132.0	547.0	122.8	544.7	515.6
1986	2,557.1	424.2	16.4	168.1	137.3	580.2	130.8	579.0	521.0
1987 (June)	2,656.6	425.3	15.6	178.2	142.0	609.0	139.3	613.6	533.5

1972-1987 in Virginia (Continued)

- The 1970s and 1980s were periods of merger, consolidation, and, in some cases, bankruptcy for the nation's railroads. Always a center for rail commerce, Virginia became the location of the headquarters of two of the nation's leading rail conglomerates: CSX Corporation in Richmond and Norfolk-Southern in Norfolk.

- The 15 years were a period of profound change in the world of finance. Interest rates climbed to previously unheard of double-digit levels in the early 1980s and financial institutions marketed an ever-widening array of investment opportunities tailored to customer needs. Bank mergers and consolidations were commonplace as Virginia's banking industry transformed itself from one made up of basically numerous smaller local institutions to one composed of a few statewide and regional financial conglomerates.

- It was feast and famine for Virginia's mines. Starting from a depressed state in the early 1970s, the 1974 energy shortage ushered in a period of prosperity and a doubling of employment to 25,000. A substantial satellite industry producing mining machinery and mine equipment also developed in Virginia. This lasted until 1982 when oil prices dropped below the cost of mining coal, and mining again fell into a depressed state with a quarter of the labor force in many Southwest Virginia mining communities unemployed and remaining on welfare.

- Virginia saw a continued encroachment of the Northeastern urban sprawl as commuting patterns from the 1980 census added Stafford County to the Northern Virginia metropolitan area, the two central Virginia metropolitan areas merged to form Richmond-Petersburg, and the two Hampton Roads metropolitan areas merged to form Norfolk-Virginia Beach-Newport News.

- In the technology revolution of the 1980s, Northern Virginia along with the Maryland portions of the Washington suburbs developed into one of the three U. S. centers of high technology, the other two being the greater Boston area and Silicon Valley in California.

William F. Mezger

HISTORICAL SUMMARY

Performance of Indicators Over the Business Cycle

GENERAL INFORMATION

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

BUSINESS CYCLE TURNING POINTS

The shaded spaces on the charts represent the 1973-75, 1980, and 1981-82 recessions as designated by the National Bureau of Economic Research (NBER). The beginning of a recession is defined as the month when aggregate economic activity in the U. S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. According to NBER, the 1973-75 recession began in November 1973 and ended in March 1975, the 1980 recession began in January 1980 and ended in July 1980, and the 1981-82 recession began in July 1981 and ended in November 1982.

SEASONAL ADJUSTMENT

To correlate changes in a time series and changes in the business cycle it is desirable

SEASONAL ADJUSTMENT (continued)

to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in Indicators have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

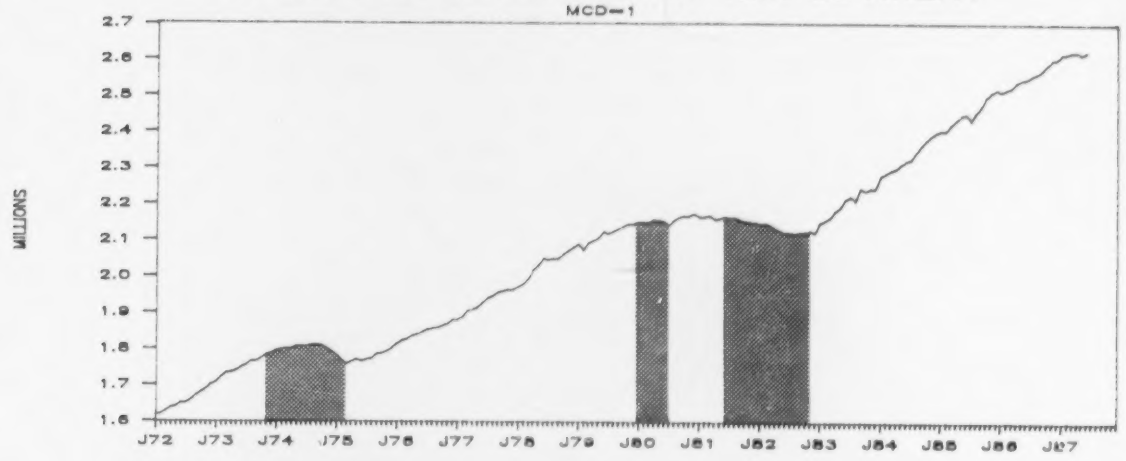
MONTHS FOR CYCLICAL DOMINANCE (MCD)

After seasonal adjustment there often remains a significant degree of purely random change, the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data--the greater the MCD the more random and less cyclically significant are monthly changes in the series. Where noted, charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

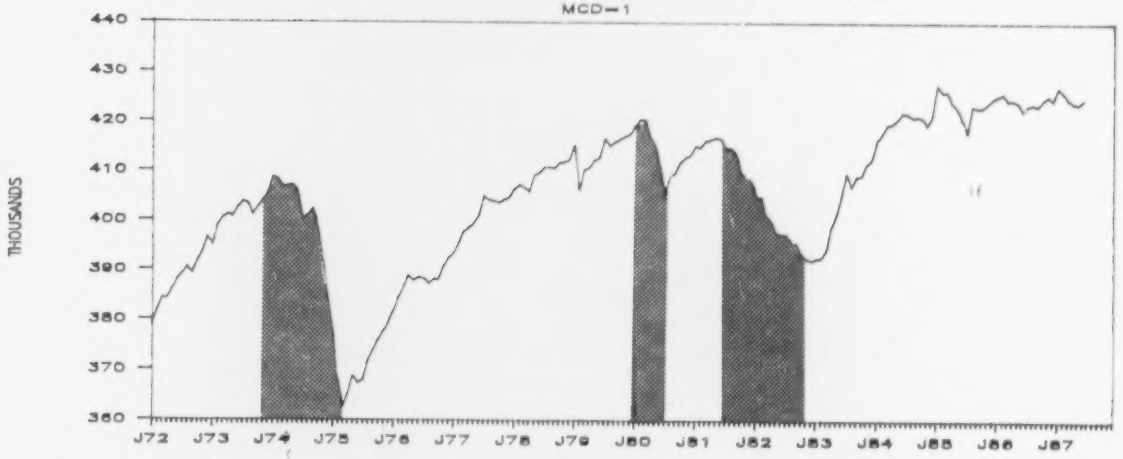
DATA SOURCES

Nonagricultural Wage and Salary Employment	Virginia Employment Commission (VEC)
Manufacturing Employment	VEC
Total Unemployment Rate	VEC
Average Weekly initial Claims	VEC
Insured Unemployment Rate	VEC
Unemployment Insurance Final Payments	VEC
Average Manhours	VEC
Average Hourly Earnings	VEC
Average Weekly Earnings	VEC
Average Workweek	VEC
New Business Incorporations	Virginia State Corporation Commission
Valuation of Building Permits - 18 Cities	Local Building Inspectors
New Vehicle Registrations	Virginia State Division of Motor Vehicles
Electrical Power Sales	Virginia Power, Appalachian Power Co., Delmarva Electric Co., Tennessee Power Company
Taxable Retail Sales	Virginia State Department of Taxation
Taxable Retail Sales/CPI	Virginia State Department of Taxation

NONAG WAGE & SALARY EMPLOYMENT



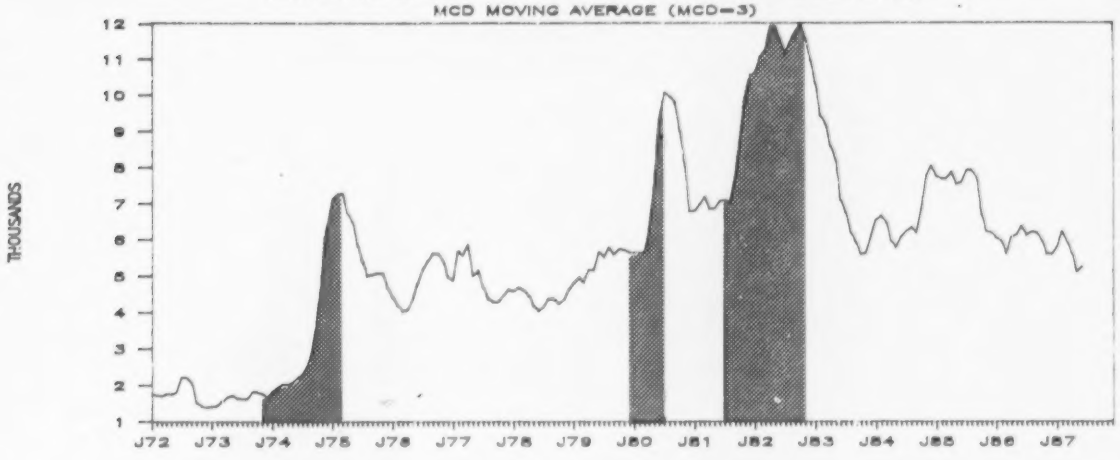
MANUFACTURING EMPLOYMENT



TOTAL UNEMPLOYMENT RATE

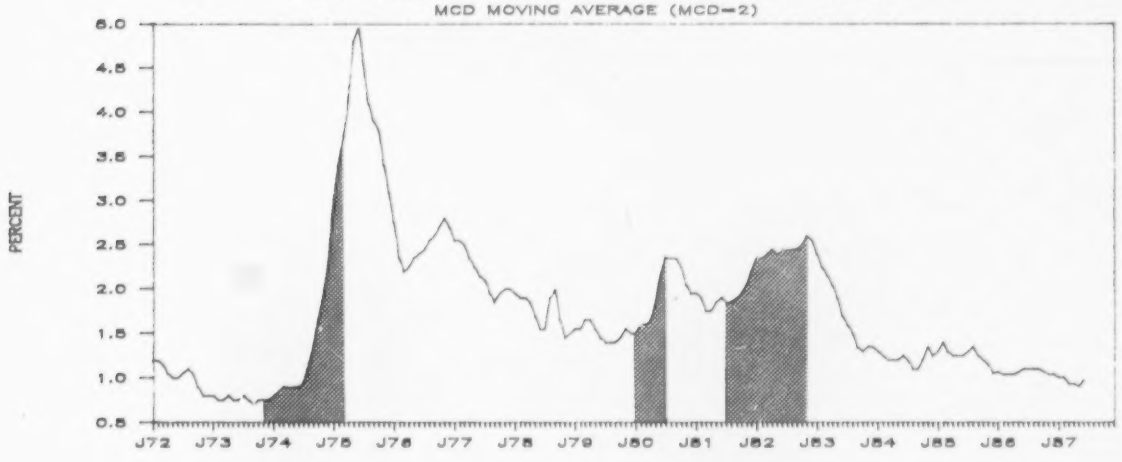
AVERAGE WEEKLY INITIAL CLAIMS

MCD MOVING AVERAGE (MCD=3)



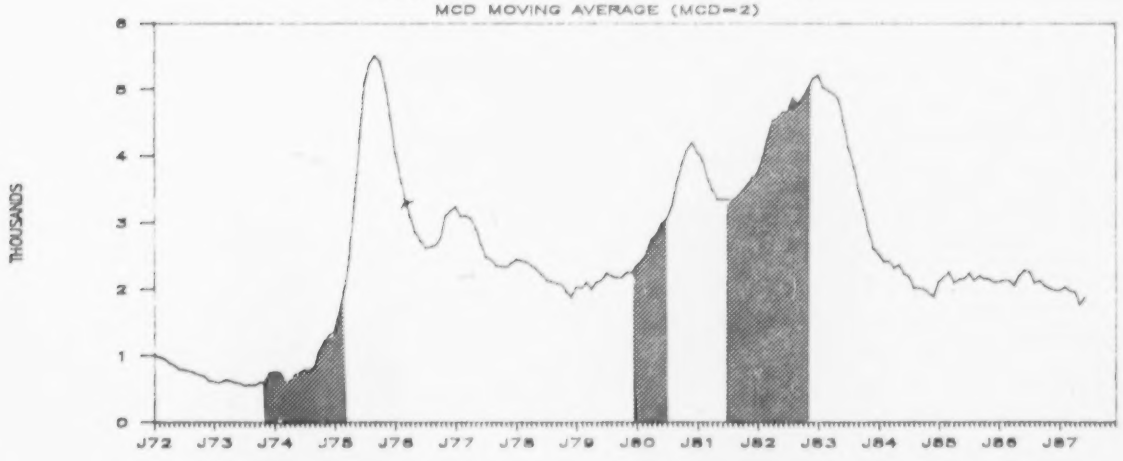
INSURED UNEMPLOYMENT RATE

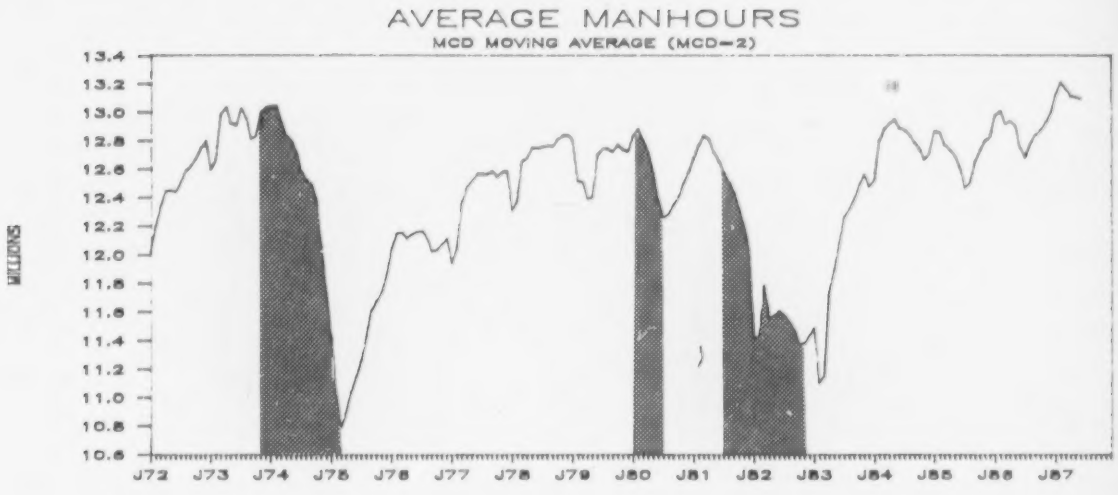
MCD MOVING AVERAGE (MCD=2)

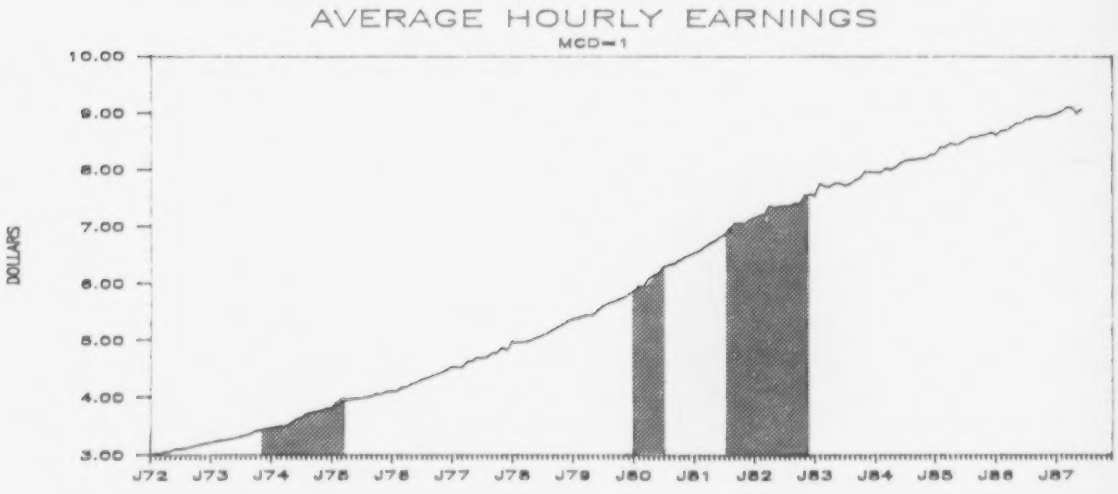


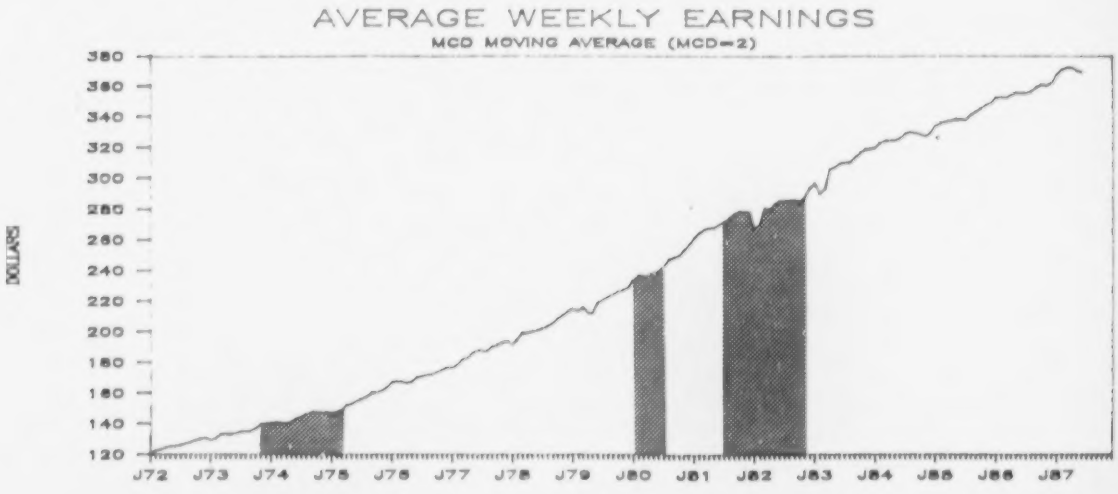
U. I. FINAL PAYMENTS

MCD MOVING AVERAGE (MCD=2)



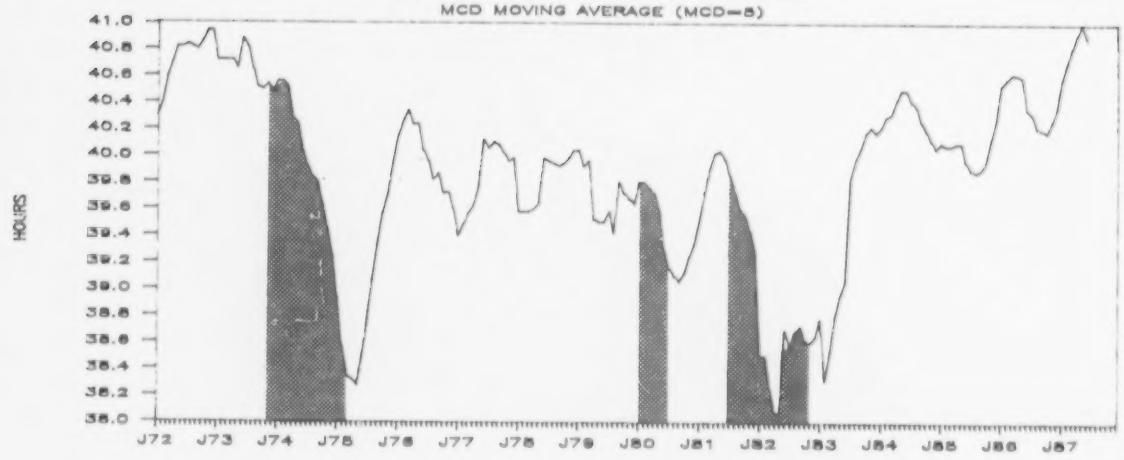

AVERAGE MANHOURS
MCD MOVING AVERAGE (MCD-2)
MILLIONS
13.4
13.2
13.0
12.8
12.6
12.4
12.2
12.0
11.8
11.6
11.4
11.2
11.0
10.8
10.6
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87


AVERAGE HOURLY EARNINGS
MCD-1
DOLLARS
10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87


AVERAGE WEEKLY EARNINGS
MCD MOVING AVERAGE (MCD-2)
DOLLARS
380
360
340
320
300
280
260
240
220
200
180
160
140
120
J72 J73 J74 J75 J76 J77 J78 J79 J80 J81 J82 J83 J84 J85 J86 J87

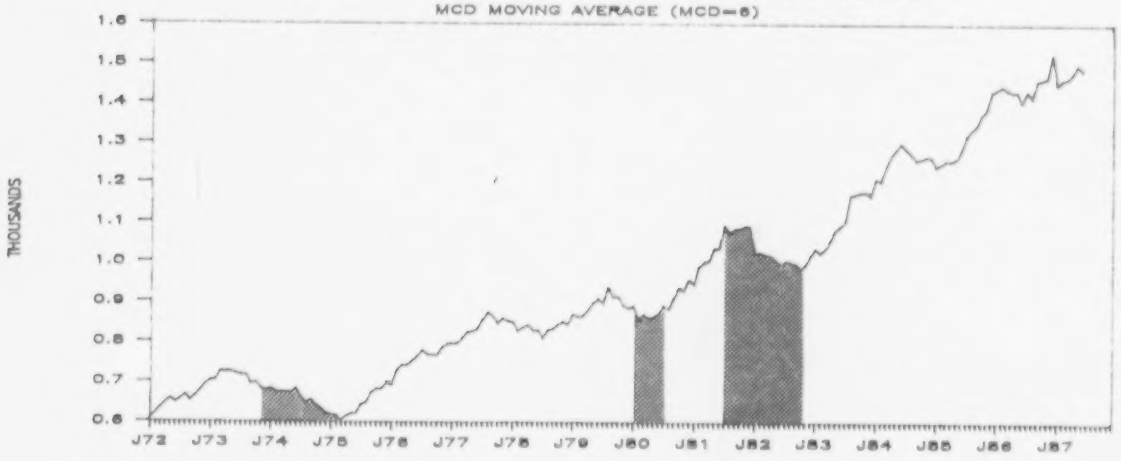
AVERAGE WORKWEEK

MCD MOVING AVERAGE (MCD=8)



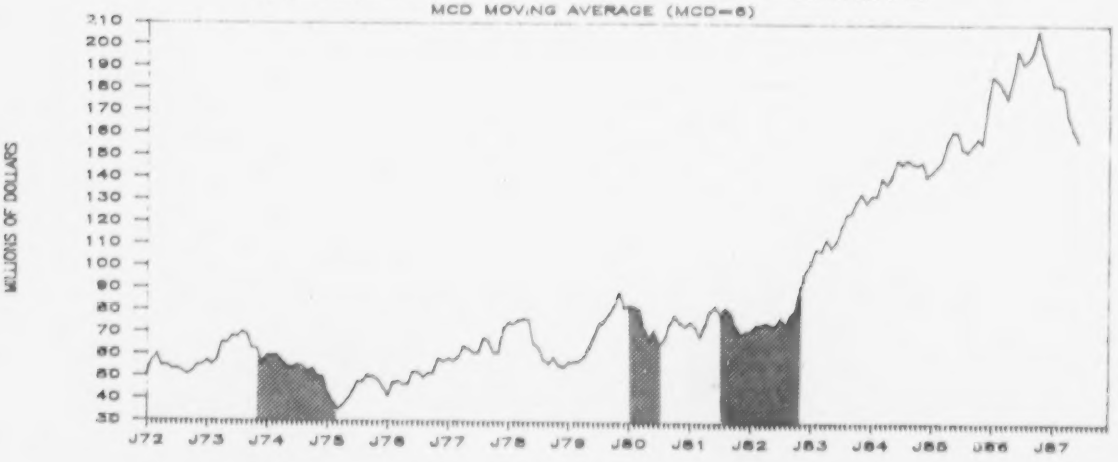
NEW BUSINESS INCORPORATIONS

MCD MOVING AVERAGE (MCD=8)



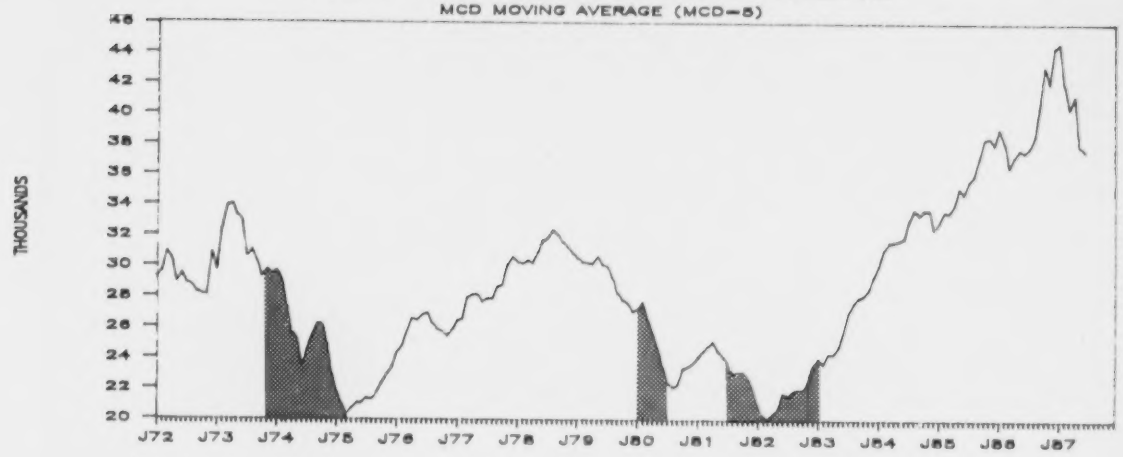
VALUATION OF BUILDING PERMITS

MCD MOVING AVERAGE (MCD=8)



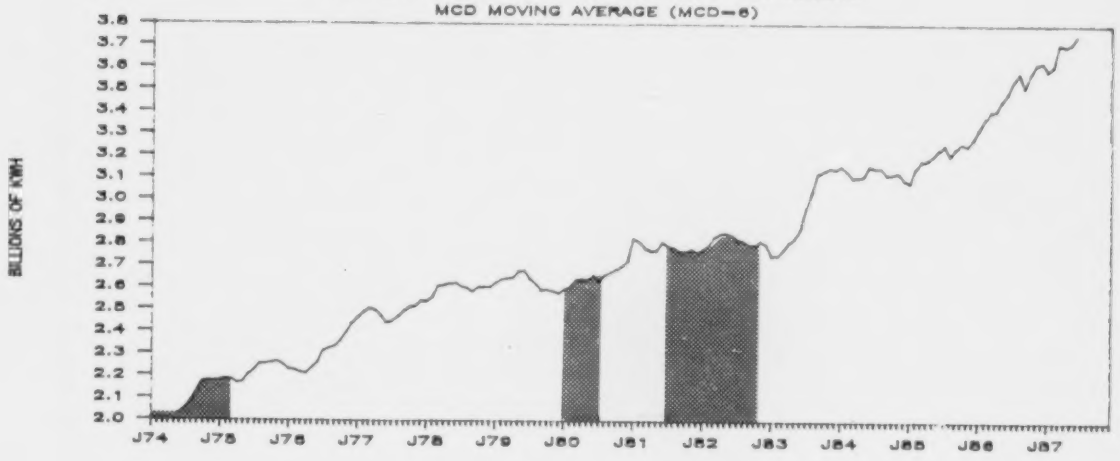
NEW VEHICLE REGISTRATIONS

MCD MOVING AVERAGE (MCD=8)



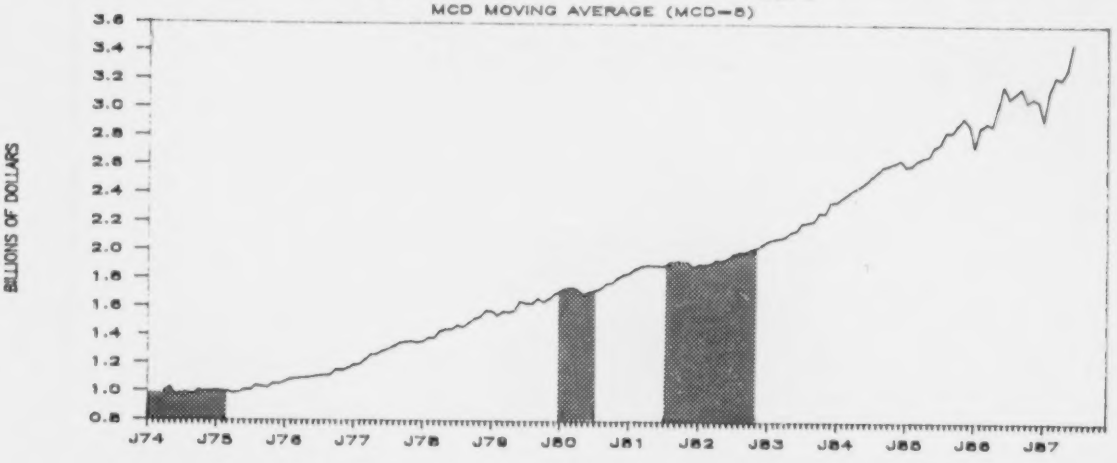
ELECTRICAL POWER SALES

MCD MOVING AVERAGE (MCD=8)



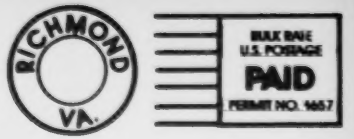
TAXABLE RETAIL SALES

MCD MOVING AVERAGE (MCD=8)



TAXABLE RETAIL SALES/CPI
MCD MOVING AVERAGE (MCD=6)
1957 DOLLARS (BILLIONS)
1.1
1.0
0.9
0.8
0.7
0.6
0.5
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86
J87

Virginia Employment Commission
Economic Information Services Division
Post Office Box 1358
Richmond, Virginia 23211



Virginia Employment Commission